Western Economic Diversification Canada

2006-2007

Departmental Performance Report

The Honourable Rona Ambrose, P.C., M.P.
President of the Queen's Privy Council for Canada,
Minister of Intergovernmental Affairs and Minister of Western Economic Diversification

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada
Canada

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SECTION I: OVERVIEW

Minister's Message

Western Canada's abundance of natural resources has made the region a substantial contributor to Canada's economic success but it is the emerging business clusters, expanded enterprises and innovative acumen of the West that will keep its economy strong and sustainable over the long term.

Developing these strengths by responding to the unique needs, challenges and opportunities in the West is Western Economic Diversification Canada's (WD) primary role. We work hard to be a relevant and effective advocate for the West. Consultations with stakeholders across the West and in Ottawa in 2006 resulted in a new Strategic Framework that returns WD to the economic core of its mandate. The new framework supports initiatives and projects that have a significant impact on Western Canada's long-term economic growth and competitiveness.

Our new Vision also reflects the four key principles of the Advantage Canada policy plan. We:

- are accountable to taxpayers, responsible in our spending, efficient in our operations and effective in our results;
- support sustainable growth through strategic investment that contributes to a strong economy, research and development, technology commercialization and modern infrastructure;
- help businesses grow and succeed by improving access to capital and increasing their ability to compete in the global economy; and
- foster new opportunities and expand choices by building new sources of economic growth that create more highly paid jobs for western Canadians, and invest in training so businesses have the skilled hands to keep the wheels turning.

In 2006-2007, WD invested a total of $177.8 million in 182 projects that have leveraged an additional $201.5 million from other partners. These partnerships – with provincial and municipal governments, universities, research institutes, industry and not-for-profit organizations – form the core of our success. Our collaborative efforts ensure that WD is viewed as a strong and effective partner in the development and diversification of the western economy. Consultations participants confirmed that we play a unique and valuable role and that WD is recognized in Western Canada for the commitment and professionalism of its staff, the knowledge of western issues it brings to public policy debate and development, its strength in building effective networks and partnerships, and its strong voice on behalf of western Canadians.

We are determined to build on our successes by continuing to create tangible economic benefits that improve the economic sustainability of the West.

By delivering on the priorities of Canada's New Government, Western Economic Diversification Canada is achieving its vision of a stronger West in a stronger Canada.

The Honourable Rona Ambrose, P.C., M.P.

Management Representation Statement

I submit for tabling in Parliament, the 2006–2007 Departmental Performance Report for Western Economic Diversification Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006–2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's approved Strategic Outcome(s) and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Oryssia J. Lennie

Deputy Minister
Western Economic Diversification Canada

Summary Information

Raison D'être — Western Economic Diversification Canada (WD) was established in 1987 to lessen the West's (British Columbia, Alberta, Saskatchewan and Manitoba) strong economic dependence on its natural resources. Under the *Western Economic Diversification Act*, 1988, the department is mandated to:

> "promote the development and diversification of the economy of Western Canada and to advance the interests of Western Canada in national economic policy, program and project development and implementation."

Regional development policies and programs are an important part of a comprehensive strategy to ensure that Canada's regions benefit from the opportunities of the new global economy. WD will continue to work closely with many partners to help small- and medium-sized enterprises (SMEs) compete and prosper in the global marketplace.

WD relies upon its strong relationships with provincial governments, municipalities, universities and local business and community economic development organizations to advance its three distinct, but interrelated Strategic Outcomes – Entrepreneurship & Innovation; Community Economic Development; and Policy, Advocacy & Coordination.

Financial Resources ($ thousands)

Planned Spending	Total Authorities[1]	Actual Spending[2]
354,236	373,960	339,009

Human Resources (FTEs)

Planned (FTEs)	Actual	Difference
390	392	+2

[1] Total Authorities are greater than Planned Spending as new funding was received through Supplementary Estimates ($19.7 million). This consisted of a $15.0 million grant for Primrose Lake Air Weapons Range, a $2.0 million grant for the Fraser River Port Authority, a $2.5 million contribution transfer for Britannia Mines, a reduction of $2.1 million related to Social Economy and $2.3 million for various other items.

[2] Actual Spending is lower than Total Authorities, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program and the Alberta & Saskatchewan Centenaries Initiative to future years.

Status on Performance			2006–2007	
The following two management priorities support all of WD's strategic outcomes				
Priority	**Expected Result**	**Performance Status**	**Planned Spending*** ($000s)	**Actual Spending*** ($000s)
Implement a **modern management agenda** that focuses on improving management practices within the department including strengthening accountability to Canadians, integration of human resource planning with business planning, follow-up on the employee survey, and improving information management.	Compliance with relevant Acts and Policies, clear accountabilities, integrated planning, and increased efficiency and effectiveness.	Progress made and ongoing.	N/A	N/A
Implement changes to WD's Strategic Framework resulting from WD's consultations with western stakeholders.	Revised Strategic Outcomes for WD focused on supporting economic and business activities that have clear economic benefits for Western Canada.	Progress made and ongoing – WD articulated a new Strategic Framework that provides focus within the existing Program Activity Architecture.	N/A	N/A

* Costs associated with these priorities were operating and maintenance (O&M) costs only and related primarily to time spent by departmental officials.

Management Priorities

For 2006-2007, the department established the following two management priorities, which support all of WD's strategic outcomes:

1. Implement a Modern Management Agenda

WD undertook the following activities to improve management practices within the department:

- **Strengthening accountability to Canadians** through progress in implementing the Management Accountability Framework and the implementation of an Integrated Risk Management initiative;
- **Integration of human resources planning with business planning** by expanding WD-Manitoba Region's 2005-2006 pilot project on integrated planning to all other regions and corporate branches;
- **Follow-up on the employee survey** by addressing issues raised concerning overtime, health and safety in the workplace, initiating a formal redress process, harassment and discrimination, and a perceived lack of career advancement opportunities; and

- **Improving information management** through enhancements to Project Gateway, WD's web-based project information management system. These enhancements improved the Department's efficiency and effectiveness in program delivery, and improved its ability to report on results related to WD's Grants and Contributions investments. The Project Gateway team, comprised of officers from all regions and Headquarters, are working to create a user-friendly tool supported by policies, procedures, and adequate controls.

In addition, in 2006-2007 approximately 170 WD officers and managers participated in project officer training held in each region resulting in an improvement in the quality of analysis undertaken by the department concerning funding initiatives. Also, staff from across the department participated in training on giving and receiving feedback. In addition, 98 per cent of WD sub-delegated managers completed the Authority Delegation On-Line Assessment training. WD strengthened its Performance Management Program to include the demonstration of WD Core Competencies. Finally, WD piloted numerous project initiatives in the regions: from Values and Ethics in British Columbia to Succession Planning in Manitoba.

2. Implement WD's Strategic Framework

During 2006-2007, WD strengthened its dialogue with the communities it serves. Sessions with over 100 western Canadian leaders from business, government, research and development, academic and community fields resulted in development and approval of a new WD Strategic Framework. This stakeholder engagement was supported by WD staff across the organization and was recognized throughout the federal public service as a model consultative process. The new Strategic Framework is reflected in the priorities outlined in WD's 2007–2008 Report on Plans and Priorities, which include support for business competitiveness and growth; linkages between strategic infrastructure investments and economic development; commercialization and value-added production; strengthened accountability, transparency, and performance reporting; and implementation of a modern management agenda. WD employees continue to work to further define and implement the department's new Strategic Framework.

2006-2007 Highlights

WD is delivering the expected results for the Strategic Outcomes outlined in its Report on Plans and Priorities for 2006-2007.

2006-2007 was a noteworthy year for WD, managing a broad range of activities. These activities included: implementation of the Municipal Rural Infrastructure Fund; advocating federal commitment for the expansion of the floodway in Manitoba, the Asia-Pacific Gateway and Corridor Initiative, the International Vaccine Centre (InterVac) in Saskatoon and the Mountain Pine Beetle initiative; and the approval of $177.8 million in funding for 182 projects[3] including the Fraser River Port dredging ($4.0 million), TEC Edmonton ($15 million) and the Primrose Lake Air Weapons Range Economic Development initiative ($15 million). WD also met the challenge of transferring responsibility for the Urban Aboriginal Strategy to Indian and Northern Affairs Canada.

In 2006-2007 WD renewed the Loan and Investment Program for an additional five years, based on the impact it has had since it was introduced in 1995, which includes 3,100 loans approved

[3] Includes funding approved through both Core and Non-Core Programs.

totalling $234 million in small business financing. This program renewal enabled the department to renew or replace several long-standing loan agreements through an investment of $12.2 million, which will support knowledge-based and growth-oriented businesses, and provide micro-loans for small and start-up enterprises.

Aboriginal students will be better equipped for high-demand jobs in **Manitoba's** aerospace, manufacturing and construction industries, as a result of WD's investment of $320,000 towards new equipment purchases for the Neeginan Institute of Applied Technology.

In **Saskatchewan**, WD is a proud contributor to the success of both the RCMP Heritage Centre ($18.0 million through the Saskatchewan Centennial Initiative) and the Springboard West Innovation Centre ($2.2 million).

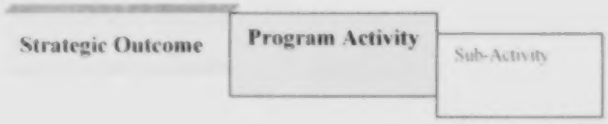
In addition to implementing numerous significant projects in **Alberta,** including TEC Edmonton, WD also approved 43 Canada Alberta Municipal Rural Infrastructure Fund (CAMRIF) projects worth $65 million in federal funding.

In **British Columbia**, WD implemented numerous important projects ranging from funding for the development of the Campbell River Cruise Ship Terminal ($350,000), establishing Campbell River as a port of call for international cruise ships and the only First Nations-themed marine portal in North America, to support for various World Urban Forum projects.

This is not an exhaustive list of WD's accomplishments, but provides a sense of the breadth and depth of the department's work and its impact on Western Canada and western Canadians. These accomplishments are possible because of WD's **commitment to sound human resources and financial management** within a strong values and ethics framework.

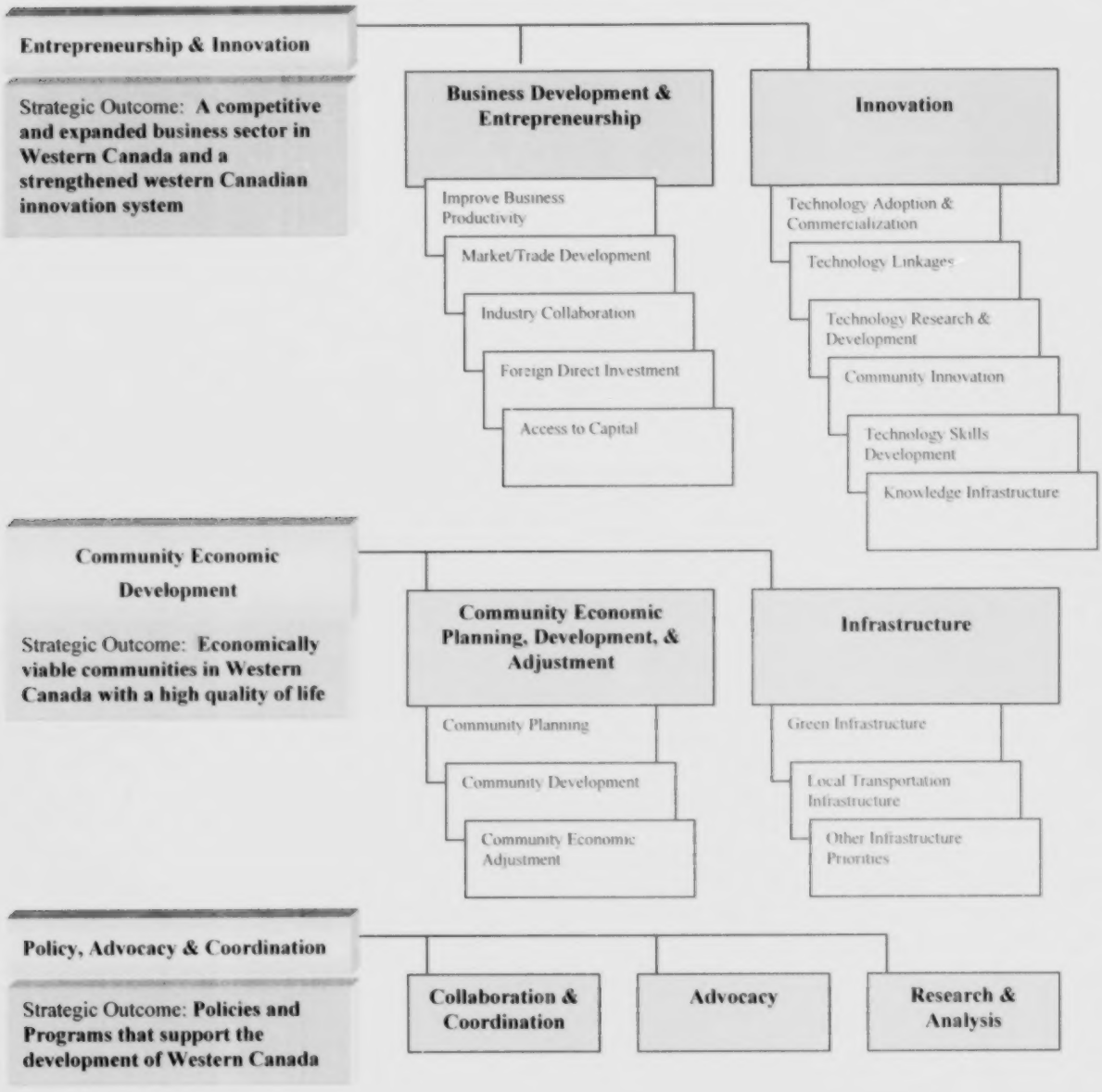
Program Activity Architecture

A diagram summarizing WD's Program Activity Architecture, which consists of three Strategic Outcomes linked to seven Program Activity areas, appears on the following page.



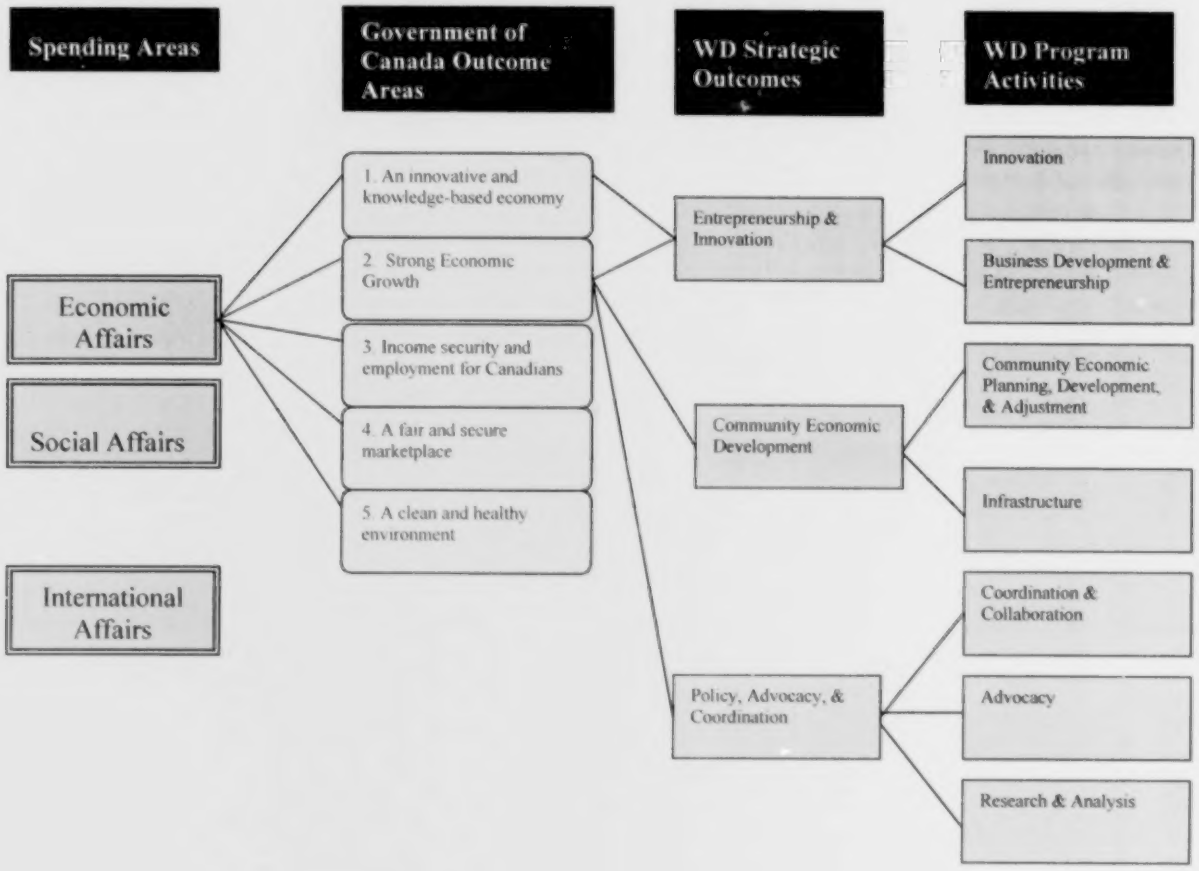
WD Vision – A stronger West A stronger Canada

WD Mandate - To promote the development and diversification of the western Canadian economy, coordinate federal economic activities in the West, and reflect western Canadian interests in national decision-making.



Alignment With Whole of Government Framework

WD's Strategic Outcomes and Program Activities are aligned with the Whole of Government Framework, as follows:



Operating Environment

WD's day-to-day working environment is influenced by four main factors:

1) The Western Diversification Program, WD's main Grants and Contribution program;
2) The Western Canada Business Service Network , which the department relies on heavily to deliver services to both businesses and communities;
3) The department's capacity to deliver national programming in the West; and
4) The expectation held by western Canadians for the department to act as their advocate.

The Western Diversification Program (WDP) is WD's main Grants and Contributions (G&C) program, which allows the department to partner with various community and industry-based groups to implement project-based initiatives targeted at producing strategic outcomes. These partnerships may be informal ones with universities or research organizations, or they may be formalized through written agreements such as the Western Economic Partnership Agreement (WEPAs) with each of the four western provinces, or the Urban Development Agreements (UDAs) involving several of the major metropolitan areas in Western Canada.

WD relies heavily on the Western Canada Business Service Network (WCBSN) to provide services to both communities and small- and medium-sized enterprises (SMEs) through its network of 90 Community Future Development Corporations (CFDCs), four Canada Business Service Centres (CBSCs), four Women's Enterprise Initiative (WEI) organizations, and four Francophone Economic Development Organizations (FEDOs). CFDCs promote community economic development throughout the rural West, whereas Canada Business has a mandate to provide information services to SMEs regardless of location. The WEI provides services to women entrepreneurs, while the FEDOs serve francophone entrepreneurs. WD is constantly working with the network members to build relationships and to clarify expectations in areas such as performance and reporting.

WD has the capacity to assist in the delivery of national programming in the West, as well as to partner with other federal departments in implementing new programming. For example, WD works in partnership with Infrastructure Canada to deliver the Infrastructure Canada Program, the Municipal Rural Infrastructure Fund and the Canada Strategic Infrastructure Fund.

The department is able to achieve the Policy, Advocacy, and Coordination Strategic Outcome primarily through the efforts of staff, rather than through funding G&C projects. WD's Regional Assistant Deputy Ministers continue to chair the Regional Federal Councils (committees of senior federal officials in each region established to exchange information and discuss issues of common concern) in each western province, as well as play an active role in federal-provincial regional trade and rural teams, as part of its coordination and collaboration mandate. WD is also involved on a daily basis in advocacy-related activity in order to ensure the interests of western Canadians are reflected in national policies and programs. This involves participation at inter-departmental meetings in Ottawa, as well as liaising with provincial governments and other stakeholders in the regions on issues such as the mountain pine beetle infiltration in British Columbia or the Asia Pacific Gateway.

In conclusion, WD has built its program delivery capacity through the development of a strong project review due diligence regime, supported by on-going officer training and assessment tools such as Project Gateway, an on-line project assessment, tracking and reporting tool. WD's policy capacity is also supported through on-going officer training and internal systems, such as the Knowledge Warehouse, a repository of policy-related documents on the department's internal web site (WDNet).

Performance Reporting

WD continues to improve its performance reporting, as it implements the Management Resource and Results Structure (MRRS). In Section II of this report, the department reports against the expected results outlined for each Strategic Outcome in the 2006-2007 Report on Plans and Priorities. For the first time, WD is reporting aggregated expected outcomes from projects for which funding was approved in 2006-2007. In the 2007-2008 Departmental Performance Report, WD will begin to report aggregated actual outcomes from projects approved for funding since April 1, 2005, when approved projects were first required to align with at least one of WD's Program Activities. The development of a performance-reporting module in Project Gateway will greatly assist with this reporting effort.

The work of WD's Audit and Evaluation Branch continues to support the department's capacity to report on its performance, as well as to improve performance through lessons learned. In 2006-2007 several significant internal audits were completed including the Infrastructure Canada Program, the administration of G&C audit and the audit of management information. An evaluation of the Canada-Saskatchewan Northern Development Agreement was also completed. In addition, two impact assessments were completed of Aboriginal projects as well as life sciences projects. WD's Audit and Evaluation Branch also contributed to the horizontal evaluation of the Softwood Industry and Community Economic Adjustment Initiative and the World Urban Forum. The conclusions of these audits and evaluations, in so far as they reflect upon WD's past performance or potential to improve future performance, are included in Section II.

Context

Several internal and external factors had an affect on WD's performance and the delivery of its programs and services. For example, the extensive consultations that took place in 2006-2007 regarding a new Strategic Framework for WD resulted in a more clearly focussed direction on how to best support and add value to long-term growth and competitiveness in the West.

The government-wide expenditure review process, which began in 2005, also had an impact on WD in 2006-2007, as the department discontinued implementation of Social Economy initiative. The implementation of the *Human Resources Modernization Act* also had an impact on departmental priorities as all managers pursued on-line delegated authority training. The long-term impact of this training will be an overall improved capacity with a better understanding of management responsibilities related to staffing, contracting and information management. The heated western provincial economies affected recruitment efforts, as entry-level candidates opt for careers in the private sector. This trend will reinforce the need to be more proactive in the area of human resource planning. The region's strong economic performance also affected projects involving construction, both WDP and municipal infrastructure-related, due to

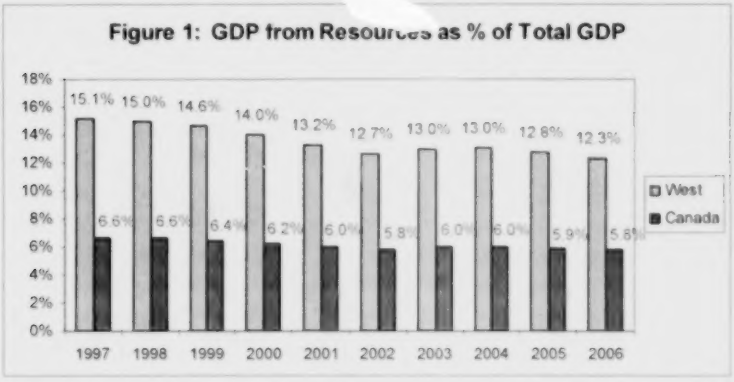
escalating labour and material costs. Greater detail on the economy in Western Canada and each provincial economy is provided below.

Western Canada Economic Overview

Western Canada, which comprises 30.2 per cent of the overall Canadian population, continued to be a key economic engine for the country in 2006. Real gross domestic product (GDP) for the four provinces as a whole posted an impressive 4.6 per cent annual growth rate, which was much higher than the national average of 2.7 per cent. The West, now accounting for 35 per cent of Canada's total GDP as compared to 31 per cent in 2002, is reshaping the nation's economic geography.

Driven by rapid industrial expansion, increased demand for energy from the emerging markets (notably China) and constrained supply and political tensions, world energy prices have more than doubled in the last five years. Traditionally a resource-based economy that now generates more than two-thirds of Canada's agriculture, forestry and mining output, Western Canada has benefited strongly from booming commodity prices and higher global demand. In 2006, the resource sector contributed to 12.3 per cent of the West's real GDP, as opposed to 5.8 per cent of Canada's, demonstrating the heavy reliance of the region on the resource economy. However, this percentage has declined gradually over the last decade (Figure 1), showing the progress of the West towards a more diversified economy. The robust economic performance in the West is also portrayed by many of the key economic indicators, as presented in Figure 2. Ranging from 3.4 per cent for Alberta to 4.8 per cent for British Columbia, unemployment rates for the four western provinces were substantially lower than the rest of Canada in 2006. Labour participation, on the other hand, reached a historic high. Low population growth and labour shortages, particularly skilled labour, are two of the major challenges facing the western Canadian economy. In 2006, population growth in Alberta and British Columbia exceeded the national average due to both inter-provincial migration and international immigration. Alberta and British Columbia's net gain from inter-provincial migration occurred at the loss of other provinces, including Manitoba and Saskatchewan. The long-term solution to labour shortage lies in the sustainable growth of productivity.

Figure 1: GDP from Resources as % of Total GDP



The booming energy sector has also created vast growth opportunities for other goods and services industries in Western Canada. In 2006, the region's real growth rates for the manufacturing, construction, retail trade, wholesales trade and services sectors all outperformed the rest of Canada. In addition, the economy in the region can also be characterized by strong performance in personal income, domestic spending, merchandise exports, business investment and housing starts. Nevertheless, the West continues to be hindered by sluggish productivity growth, demographic shifts, soaring cost of production and cost of living, the challenge of

environmental sustainability and wide exposure to the volatility of the commodity markets, among other challenges.

Figure 2: Key Economic Indicators, 2006

2006	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	Canada
GDP at current price, $ million	179,701	235,593	45,051	44,757	556,282	284,158	25,221	31,966	4,332	24,897	1,439,291
Real GDP, millions of 1997 dollars	150,741	152,670	34,292	37,052	493,126	242,039	21,773	25,814	3,505	15,719	1,189,535
Real GDP Growth, %	3.6	6.8	0.4	3.3	1.9	1.7	2.6	1.1	2.0	2.8	2.7
Per capita personal disposable income, $	25,194	32,108	23,309	23,518	26,181	23,275	22,455	22,972	21,321	25,231	25,623
Unemployment rate, %	4.8	3.4	4.7	4.3	6.3	8	8.8	7.9	11	14.8	6.3
Labour Participation rate, %	65.7	73.4	69.1	68.8	67.7	65.5	63.7	62.9	68.7	59.2	67.2
Consumer price index, annual percentage change, %	1.8	3.9	2.0	1.9	1.8	1.7	1.6	2.1	2.2	1.8	2.0
GDP from manufacturing, millions of 1997 dollars	15,031	14,202	2,377	3,977	84,763	45,442	3,070	2,099	366	910	172,782
Annual change, %	2.4%	7.6%	3.6%	-0.3%	-3.5%	-0.2%	4.2%	-6.0%	-2.9%	-13.9%	-1.3%
Exports, $ millions	34,825	83,281	15,643	11,575	198,669	73,169	10,409	5,108	838	4,989	440,157
Annual change, %	-1.9	2.4	11.1	17.5	-1.1	3.0	-2.9	-12.2	3.4	8.3	0.9
GDP from retail sales, millions of 1997 dollars	8,562	8,384	1,760	2,268	25,851	14,457	1,297	1,704	235	800	65,452
Annual change, %	5.9	11.7	5.2	4.5	3.9	4.0	5.1	3.9	2.2	3.4	5.2
Population* (July 1), '000	4,310.5	3,375.8	985.4	1,177.8	12,687.0	7,651.5	749.2	934.4	138.5	509.7	32,623.5
Annual change, %	1.2	3.0	-0.5	0.3	1.0	0.7	-0.3	-0.2	0.2	-0.8	1.0
Immigration*, number	43,858	19,869	2,112	8,884	133,116	41,983	1,387	2,199	343	450	254,359
Net interprovincial migration*, number	3,779	57,105	-9,073	-8,635	-21,391	-8,155	-3,788	-3,930	-127	-4,368	
Housing starts, number	36,443	48,962	3,715	5,028	73,417	47,877	4,896	4,085	738	2,234	227,395
Percentage change, %	5.1	19.9	8.1	6.3	-6.8	-6.0	2.5	3.2	-14.4	-10.6	0.8

*Between July 1, 2005 and June 30, 2006. Data Source: Statistics Canada

Economic Performance of the Western Provinces in 2006

Manitoba

In 2006, Manitoba experienced relatively strong economic growth. Real GDP expanded 3.3 per cent, exceeding the national rate of 2.7 per cent. A strong performance in the goods sector, particularly agriculture, mining and construction, led Manitoba's expansion.

In 2006, Manitoba's agriculture sector rebounded from a significant decline the previous year, after its farmers suffered from heavy rains and the closure of the US border to cattle shipments in 2005. Improved growing conditions in 2006 helped cereal and oil crop production rise by over 30 per cent. Hog production reached record levels while cattle producers benefited from the lifting of the ban on shipments to the US.

Record-high metal and crude oil prices resulted in strong growth in Manitoba's mining and petroleum industries. The value of mineral and oil production reached more than $2.5 billion in 2006, an increase of 60 per cent over 2005. The outlook for this industry is extremely positive as 2006 saw new mines being developed and a record number of wells drilled.

Housing starts rose 6.3 per cent in 2006. The value of non-residential permits increased by 26.8 per cent, boosted by large projects such as the expansion of the Red River Floodway, the construction of Manitoba Hydro's new headquarters building and the Winnipeg airport terminal.

Growth in Manitoba's service sector was a modest 1.8 per cent in 2006. Retail sales in Manitoba rose 5.9 per cent, below the national average of 6.4 per cent.

Manitoba experienced moderate employment growth of 1.2 per cent in 2006, significantly less than the national rate of 1.9 per cent. Its unemployment rate was 4.3 per cent in 2006, well below the national rate of 6.3 per cent. The province's relatively low unemployment rate is assisted by the trend of Manitobans moving to Alberta, British Columbia and Ontario, where new jobs are created at a much faster pace.

Saskatchewan

After three consecutive years of strong performance, Saskatchewan's real GDP gained only 0.4 per cent in 2006. This was largely due to low crop production, challenges in forestry and the wood and paper products industries and lower potash sales due to stalled contract negotiations with China. However, the performance remained robust in manufacturing (3.9 per cent), services (2.9 per cent), construction (5.4 per cent), retail trade (5.6 per cent), and value of exports (11.1 per cent). Real GDP growth is forecast to increase by 2.6 per cent in 2007 as potash sales rebound and crop production improves. Although agriculture contributes less than 7.0 per cent to the total provincial economy directly, its secondary impact is much larger in the manufacturing and service sectors. In 2006, Saskatchewan farmers harvested 16.5 per cent less than in 2005. Despite the decreased crop yield, crop quality was excellent in 2006.

Housing starts increased by 8.1 per cent, the second highest in Canada. While investment growth was below the national average in 2006, it increased 8.7 per cent to $9.7 billion, which is the highest level recorded in Saskatchewan and double that of 1991.

Saskatchewan's average annual growth in labour productivity was the second highest in the country and above the national average through the period 1997 to 2005. The province's labour productivity in 2005 was $38.60 (real GDP per hour worked, in 1997 dollars), which is still below the national average. Employment increased to the highest level ever and the third highest in Canada, with unemployment at the lowest level since 1981 at 4.7 per cent.

Alberta

Alberta's considerable economic growth in 2006 resulted in a 6.8 per cent increase in real GDP, the highest of any Canadian province. The increase was primarily driven by the energy sector, as the price of oil rose by 17.0 per cent compared to a year earlier. Crude oil production increased by 6.5 per cent and investment in the energy industry also rose by 14.4 per cent compared to the previous year. The manufacturing sector saw strong growth of 7.6 per cent in 2006. The activity in the petrochemical, machinery and heavy equipment industries that support the oil sector accounted for most of these gains.

In 2006, the province's unemployment levels continued to drop, reaching 3.4 per cent (a 30-year low) as nearly 85,000 new jobs were created. Overall population grew by 3.0 per cent, raising Alberta's population to almost 3.4 million. As a result, housing starts expanded 8.1 per cent as

both demand and housing prices increased sharply in urban centres. Combined with the construction of major projects triggered by energy sector investments, Alberta contributed half of the gains in total construction activity nationwide.

Disposable incomes grew by 11.8 per cent due to wage pressures, pushing retail sales up by 16.7 per cent and increasing consumer spending for the third consecutive year (7.9 per cent over last year). Concerns have been raised, as the provincial inflation level is nearly twice the national average.

One of the few weaknesses in the 2006 Alberta economy occurred in the agriculture sector, which posted a 10.0 per cent decline in major field crops. Severe weather from heat and hailstorms is considered the main factor for the first regression of the industry in four years. The forestry sector also continues to struggle: timber demand and prices are low due to a depressed US housing market; costs and labour pressures are high due to the burgeoning oil and gas sector; and the rapid increase in mountain pine beetle population poses an increasing threat.

British Columbia

Fuelled largely by upbeat consumer spending, in 2006 British Columbia posted a respectable 3.6 per cent growth in real GDP. Consumer spending has been buoyed by low inflation, escalating property values and lower import prices due to the rising value of the Canadian dollar. As well, increasing net in-migration, high employment levels and a 6.2 per cent income jump contributed to the higher spending.

Led by the strength of the mining sector, British Columbia's monthly unemployment rates dropped to 4.3 per cent in January 2007, the lowest rate in 30 years. With labour shortages looming, British Columbia is making better use of existing programs to attract foreign workers, and recently announced changes to mandatory retirement laws. As part of an overall commitment to open up markets and adopt a global market perspective, the Provinces of Alberta and British Columbia have signed an agreement to remove barriers to labour mobility and intra-provincial trade.

British Columbia is experiencing a residential and non-residential construction boom in communities across the province. Major transportation infrastructure projects include the expansion of Vancouver's rapid transit system and numerous projects related to the Asia-Pacific Gateway. Other major infrastructure projects include the expansion of the Vancouver Trade and Convention Centre and the development of venues for the 2010 Winter Olympic and Paralympic Games.

Generating approximately $9.8 billion in revenue in 2006, British Columbia's tourism industry was one of the largest industries in the province, accounting for more than 117,900 direct jobs. Noteworthy is the work of rural communities to develop and capitalize on the growth of the cruise sector. With 520 ships bringing 1.3 million passengers to ports on British Columbia's coast, the total economic impact of this sector is estimated at $1.25 billion and almost $90 million in direct and indirect taxes. The tourism sector is facing increasing labour shortages and, between 2007 and 2015, will need to fill a minimum of 54,000 new jobs. In addition, the continued decline of American cross-border tourists due to high gas prices, the strength of the Canadian dollar and newly implemented security initiatives has required that the industry adapt to increased domestic tourism.

Although the British Columbia economy is performing very well, there are a number of areas of concern. Exports dropped in 2006, mainly due to declining housing starts in the US and the strong Canadian dollar. Furthermore, the rapid spread of the mountain pine beetle has had a deepening impact on some 180 British Columbia interior communities whose economies depend on the forest resource. With the decline of US demand coinciding with the higher allowable cut, British Columbia mills have excess inventory and diminishing returns. The affected communities and regions are being challenged to identify and stimulate new sources of growth through emerging opportunities in local economic diversification.

SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

ENTREPRENEURSHIP & INNOVATION

Strategic Outcome: To support a competitive and expanded business sector in Western Canada and a strengthened western Canadian Innovation System

WD is developing performance indicators for this Strategic Outcome. The following statistics represent a preliminary effort to assess the current state of Entrepreneurship and Innovation in Western Canada:

- In 2006, real GDP growth in Western Canada was 4.6 per cent compared to 2.7 per cent for Canada as a whole;
- In 2006, the value of exports from Western Canada was $145.324 billion compared to $440.157 billion for Canada as a whole; and
- In 2004, the Gross Domestic Expenditures on R&D as a percentage of GDP for Western Canada was 1.1 per cent compared to 2.0 per cent for Canada as a whole.

Program Activity: Business Development and Entrepreneurship

Financial Resources ($ thousands)

Planned Spending	Authorities[4]	Actual Spending
59,611	77,779	75,181

Human Resources (FTEs)

Planned	Actual	Difference
108	110	+2

In terms of business productivity, small businesses (defined as organizations with fewer than 50 employees) are the source of nearly 80 per cent of new jobs in Western Canada and as such are the employment engine of the region. According to the Western Centre for Economic Research, the number of small businesses per capita in Western Canada in 2006 was 40 per cent higher than in the rest of Canada (http://www.bus.ualberta.ca/wcer/pdf/86eng.pdf).

Recognizing the importance of community-based delivery of services and support of small- and medium-sized enterprises (SME) development, WD provides funding to organizations like those making up the Western Canada Business Service Network (WCBSN) and industry associations, which in turn deliver business services and support to entrepreneurs. WD's support of the WCBSN for business development and entrepreneurship activity has led to improved access to business information, training, business advisory services and capital for all western Canadians.

In terms of trade and investment, Canada is ranked as the world's fifth largest exporter and importer. Exports, predominantly natural resources commodities, account for almost 40 per cent

[4] Variance between Planned Spending and Total Authorities is primarily due to the $29M grant for the Prince Rupert Port Authority that was originally reported as planned spending against the Community Economic Planning, Development and Adjustment program activity.

of our economy, and are linked to one-quarter of all Canadian jobs. Foreign Direct Investment in Canada is the second highest in the G7 as a share of GDP. Although Canada performs well in trade terms relative to other G7 countries, compared to a wider international field Canada fares less well – ranking 16th in the World Economic Forum's Global Competitiveness Index 2006-2007, down from 13th in the previous report. In its annual world competitiveness ranking, the International Institute for Management Development dropped Canada from 5th to 7th place. As well, according to the 2007 Canada Project by the Conference Board of Canada, in just two years, Canada has slipped from 3rd to 12th place in comparative measurements.

WD, as the federal economic development department in Western Canada, has a significant role to play in enhancing the competitiveness of Western Canada in major global markets and in helping deliver on federal priorities related to trade, investment and competitiveness.

In terms of access to capital, a 2004 Statistics Canada survey on financing of SMEs found that 20 per cent of SMEs cited obtaining financing as an obstacle to business growth. Those more likely to experience difficulties in obtaining financing included: innovative businesses (40 per cent); young enterprises - defined as those that started operation in 2002 (34 per cent); exporters (29 per cent) and manufacturers (27 per cent).

Through work with financial institutions, members of the WCBSN and other organizations, WD has contributed to increased investment in targeted western Canadian firms. In particular, WD has responded with the development of two types of SME loan programs: the Loan and Investment (LI) Program and developmental loans delivered through the WCBSN and the Entrepreneurs with Disabilities Program (EDP) urban delivery agents.

Program Activity Results

In support of Business Development and Entrepreneurship, WD achieved the following results in 2006-2007:

- In support of **improved business productivity**, members of the WCBSN delivered over 600,000 business services[5]. Community volunteers, who understand local issues and recognize opportunities, are a key factor in the success of the WCBSN. The WCBSN members reported engaging over 2,700 community-based volunteers, including board members, who provided over 72,000 volunteer hours.

- In support of international **market/trade development** and **foreign direct investment**, WD administered approximately $250,000 for 25 Enhanced Representation Initiative (ERI) projects. The primary focus of these activities has been to increase exposure of Western Canada's technology sectors in US markets. Projects were supported in sectors such as life sciences, ocean technologies, wireless, petroleum technologies and composite materials, many of which have led to ongoing negotiations and working relationships between western Canadian firms and US R&D organizations.

- In addition, the Canada Business Service Centres in Western Canada responded to 2,985 export-related enquires, representing 27 per cent of total enquiries nationally.

[5] This includes advisory, information, and training services provided by CFDCs, WEI organizations, FEDOs and CBSCs (officer-assisted interactions only) – 608,027 services in total.

- In terms of **access to capital**, 2006-2007 was a transition year for the Loan and Investment (LI) Program due to the renewal or replacement of several long-standing loan agreements and greater focus on micro-lending. 218 loans totalling $16 million were approved during the year. In addition, in the twelve years from the beginning of the LI Program in 1995 until March 2007, WD's loss support contribution of $35 million has leveraged 3,100 loans by financial institutions totalling $234 million, for an average annual total of $19 million in small business financing. Based on parameters developed under an evaluation of the LI Program, it is estimated that this $234 million in financing has also helped those businesses create over 6,500 jobs and increase their revenues by $850 million. Some of WD's contribution will be repaid once all loans are completed.

- In addition, WCBSN members provided 1,313 loans to SMEs totalling $54.8 million that leveraged an additional $66 million and resulted in the creation of approximately 4,400 jobs.

In addition, in 2006-2007 WD approved contribution funding for projects in the following four sub-activity areas:

- To **improve business productivity**, WD approved funding for 60 projects totalling $52.0 million[6]. As a result of this investment, WD anticipates creating or maintaining 5,558 jobs (5,248 through the efforts of the Community Futures Development Corporations and their provincial associations), and creating, maintaining, or expanding 728 businesses (187 through the efforts of the Community Futures provincial associations).

- To increase international **market/ trade development** and increase **foreign direct investment** in Western Canada, WD approved funding for eight projects totalling $5.1 million. As a result of this investment, WD anticipates three projects promoting SME capabilities at major international events, the participation of 300 SMEs in export and market development initiatives, and the creation of 20 partnerships with industry.

- Due to the implementation of WD's new Strategic Framework with its focus on project funding, the number of conferences the department supported in 2006-2007 to facilitate **industry collaboration,** was reduced. During this transition in 2006-2007, WD approved seven projects totalling $154,400, which will result in nine partnerships. As the Strategic Framework is fully implemented, WD will support more projects that achieve on-going rather than one-time industry collaboration.

- To increase **access to capital** by targeted western Canadian firms, WD approved funding for one project totalling $15,000 (not including the eight LI Program renewals, referenced above, for which WD approved new funding of $12.2 million). As a result of this investment, WD anticipates creating, maintaining or expanding five businesses.

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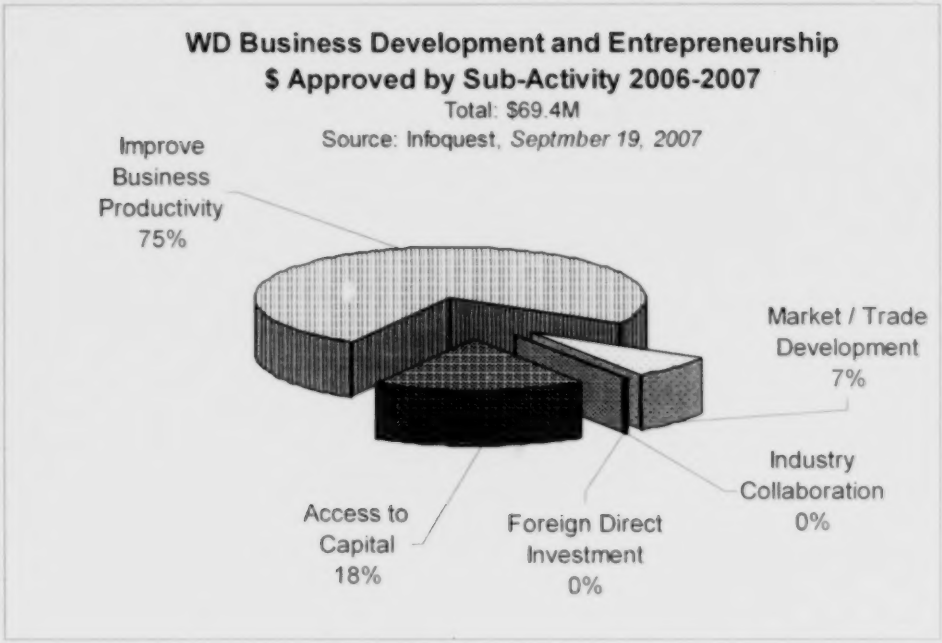
[6] This total includes the renewal of 36 CFDC five-year contribution agreements primarily in BC, totalling $41.5 million.



Sub-Activity: Improve Business Productivity

WD improves business productivity by addressing the needs of SMEs and entrepreneurs through a variety of service delivery mechanisms and partnerships including more than 100 offices of the WCBSN. Members of the WCBSN include: 90 Community Futures Development Corporations, four Women's Enterprise Initiatives locations, four Francophone Economic Development Organizations and four Canada Business Services Centres.

1. Community Futures Development Corporations (CFDCs)

CFDCs are incorporated not-for-profit organizations operating at arms-length from government, under the direction of local boards of directors. WD has provided operating funding to the CFDCs since 1995 to enable them to provide local strategic economic planning services, business counselling and loans to small businesses in rural communities.

In 2006-2007, WD provided core-funding support of $25.6 million to the 90 CFDCs in the West and they reported providing 335,000 general information services, 35,000 in-depth business advice sessions, and 23,000 training services. This includes services to over 9,750 Aboriginal clients.

In Manitoba, WD's contribution of $139,738 enabled the members of the WCBSN to collaborate on the development of a video conferencing network to deliver training, outreach and foster communications in rural and remote areas. From October 2006 to March 2007, 53 seminars were offered by videoconference throughout the province with some 435 participants.

This system was modeled after the Alberta's Entrepreneurship Learning Centre (ELC) Network that added four new sites in 2006-2007 bringing the total to 29. Since 2004, 13,860 people have participated in video conferencing events hosted by the ELC.

2. Women's Enterprise Initiative (WEI)

The WEI comprises four incorporated not-for-profit organizations, located in Kelowna, Calgary, Saskatoon and Winnipeg, which operate at arms-length from government, under the direction of local boards of directors. The WEI organizations help women entrepreneurs face challenges and succeed by providing customized services such as access to financing, education and training, business advice, loan aftercare, information, networking and mentoring.

In 2006-2007, WD provided core operational support of $3.9 million to the four WEI organizations, which reported responding to over 51,000 business information inquiries and providing almost 10,000 business advisory appointments and training services for over 3,600 clients.

An evaluation of the WEI undertaken in 2004 reported that by May 31, 2004, WEI services and loans leveraged an additional $33.1 million in support for women entrepreneurs. Focus group participants expressed high levels of satisfaction with the WEI organizations' service delivery. An impact study undertaken in 2002 reported economic impacts of 9:1 (i.e., $22.4 million in loans resulted in approximately $200 million of business).

The evaluation recommended that WD and the WEI organizations should assess current reporting requirements, as well as discuss expectations for and means of measuring partnership development and maintenance. As part of a funding renewal process for WEI, WD worked with the WEI organizations to develop both performance measures that accurately reflect the results being achieved, including one that reflects partnerships, as well as a new reporting measurement tool. The evaluation and management action plan are available on WD's website at: http://www.wd.gc.ca/rpts/audit/wei/default_e.asp.

Conseil de la Coopération de la Saskatchewan launched Francoboutique.ca, a website where entrepreneurs market their products in French, English or Spanish, after various entrepreneurs had come to them seeking advice on e-commerce. Francoboutique.ca provides a customized storefront where products are sold around the world.

Rural small businesses have the most to gain from Francoboutique.ca, because it helps them reach markets much larger than those provided by the local community. "We weren't known outside the province before Francoboutique.ca," explains Pauline Vézina, owner of the Bouquinerie Gravel Bookstore in Gravelbourg, Saskatchewan. As the only French bookstore in the province, business was limited before they had an online store.

3. Francophone Economic Development Organizations (FEDOs)

The four FEDOs, located in Winnipeg, Regina, Edmonton and Vancouver, are incorporated not-for-profit organizations operating at arms-length from government, under the direction of local boards of directors. The FEDOs strengthen economic opportunities for Francophone businesses and enhance the vitality of Official Language Minority Communities (OLMCs) in Western Canada by providing training, business and community economic development, access to capital, information services, marketing advice, networking and mentoring.

During 2006-2007, WD provided core operating support of $2.2 million to the FEDOs, which reported providing over 3,100 information services, 1,900 technical advisory services and 875 training services.

The FEDO evaluation report, competed in September 2004, recommended that WD should improve the reporting format and, if necessary, information gathering processes for reports. As part of a funding renewal process for the FEDOs, WD worked with the FEDOs to develop both performance measures that accurately reflect the results being achieved, as well as a new web-based performance measurement and reporting tool called The Exceptional Assistant.

The evaluation and management action plan are available on WD's website at: http://www.wd.gc.ca/rpts/audit/default_e.asp

4. Canada Business Service Centres (CBSCs)

The network of CBSCs provides a single, seamless gateway to information for businesses and maintains an extensive database of business and trade information from federal, provincial, municipal and non-government sources. The CBSCs in Western Canada include Vancouver, Edmonton, Saskatoon and Winnipeg and services are also available through a network of regional partners and Aboriginal service sites.

In 2006-2007, WD provided $3.9 million to support the four western CBSCs that reported facilitating approximately 145,000 officer-assisted interactions (telephone, walk-in, facsimile, mail, e-mail) and 3 million self-service interactions (automated telephone services and web site visits). The CBSCs in Western Canada account for over 60 per cent of the officer-assisted transactions provided by the national Canada Business network. Nationally, the Canada Business Service Centres achieved an overall client satisfaction rating of 83 per cent in 2006-2007.[7]

5. Other Initiatives

In addition to support through the WCBSN, WD has undertaken a number of initiatives to encourage SMEs and R&D organizations to be innovative in improving their productivity and competitiveness. These include lean manufacturing practices (identification of new trends, the development of innovative strategies and the implementation of new processes) as well as academic and industry internships and exchanges.

Opened in October 2006, the Southern Alberta Institute of Technology (SAIT) **Centre for Innovative Information Technology Solutions** (CIITS) is initially targeting the Alberta energy-manufacturing sector to streamline business processes. To facilitate learning, discovery and prototyping, the CIITS currently operates two components: the Training Cluster and the Solutions Simulation Pod (SSP). The Training Cluster incorporates the use of various information technologies within each individual learning station. The SSP allows SMEs to evaluate their current business processes and accelerate technology adoption. A third component, the Future Factory, will be added in the near future and will offer a completely integrated, IT-driven production environment, which simulates different manufacturing industries. In 2006-2007, CIITS supported 20 client interactions, which created, maintained or expanded four businesses. CIITS will receive a $2.5 million contribution from WD.

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[7] http://www.ic.gc.ca/cmb/welcomeic.nsf/532340a8523f33718525649d006b119d/4727bc553ab0c3a78525734700633 32a7!OpenDocument

In 2006-2007, WD provided $450,000 to a $1,350,000 project delivered by the Winnipeg Foundation, working with the Business Council of Manitoba (BCM). **Aboriginal Education Awards** are available to anyone of Aboriginal descent who is pursuing a post secondary education in Manitoba. Each award is up to a maximum of $3,000 for university students or $1,500 for college students to assist with the cost of tuition, books and education supplies. An estimated 10-15 students will also be offered a chance for summer or interim employment with companies that are members of BCM. WD previously supported this initiative under the Winnipeg Partnership Agreement as part of the Urban Aboriginal Strategy. Since the launch of the program in 2001, 700 awards have been given, totalling $1.8 million.

Sub-Activity: Market/Trade Development and Foreign Direct Investment

In order to ensure that Canada's relative competitive position in the global economy is safeguarded, the Government of Canada has instituted a "whole-of-government" approach, with Foreign Affairs and International Trade Canada (DFAIT) playing the leadership role and Regional Development Agencies (RDAs) playing key roles as well. The role of the RDA, including WD, is to create economic capacity in clusters, communities and industries with a response that is more tailored to the local need than is possible through national programming.

In partnership with the Canada's Consulate General in Seattle, WD sponsored the Pacific Northwest Aerospace Alliance Cluster Initiative and Networking Event in Abbotsford, British Columbia through ERI funding in order to create a networking venue for SMEs in the aerospace industry in Washington State, British Columbia, and Alberta. In addition, the event allowed British Columbia SMEs to meet with aerospace and defence representatives to identify Industrial and Regional Benefits opportunities.

Since the western economy is heavily dependent on trade, one of WD's roles is to ensure that western Canadian businesses and research institutions remain internationally competitive. WD also brings a western regional lens to international competitiveness issues, encouraging cooperation and supporting regional interests. WD is able to maximize its resources and be strategic by participating through key interventions with partners and stakeholders.

1. Strengthening the Canada-US Relationship

WD is one of seven federal departments that established the five-year **Enhanced Representation Initiative** (ERI), designed to enhance Canada's presence in the United States market by promoting Canadian business development interests. Through ERI, WD works closely with federal partners, the western provinces, the business community and R&D stakeholders to identify priorities and undertake projects designed to enhance Western Canada's competitive position in key US markets.

Since the inception of the ERI in 2003-2004, WD has collaborated with DFAIT and other federal partners to administer approximately $600,000 to almost 50 ERI projects. Funding provided by WD ($5 million over five years) and other federal partners for the ERI initiative has significantly augmented Canada's presence in the US, particularly in several western US markets of major

importance to Western Canada. Six of the nine new or expanded Canadian consulates/trade offices are located in the Western US.

The results to date from the ERI include increased engagement with American key players and progress in mobilizing allies on key issues such as softwood lumber, Bovine Spongiform Encephalopathy (BSE) and the Western Hemisphere Travel Initiative, as well as greater emphasis on business development.

Gateway to Asia (GTA) is an initiative jointly funded by WD and S.U.C.C.E.S.S to link western Canadian companies with recent Asian immigrant entrepreneurs, creating potential for joint export opportunities and new investment to Western Canada. GTA's efforts resulted in over $2,000,000 of new investment, as well as incremental export sales, most notably in the manufactured wood sector. An independent project assessment, completed in March 2007, concluded that S.U.C.C.E.S.S is singularly equipped to handle the cross-cultural aspects of bringing together western Canadians and Asian immigrants to facilitate trade with Asian markets, and enabling improved competitiveness of western Canadian firms under increasing globalization of trade. In 2006-2007, GTA reported an increase of 31 new members, and engaged in outreach to Edmonton and Winnipeg, establishing a permanent Winnipeg liaison. In April of 2006, WD agreed to continue contributions of up to $938,516 for three more years towards a total project cost of $1,303,494.

2. Supporting International Business Competitiveness

WD works with other federal departments to offer market/export skills training and export-readiness services to SMEs in Western Canada. In Western Canada these services are provided primarily by the CBSCs, for which WD is the lead federal funding partner. In addition to responding to export-related enquires, some CBSCs have the capacity to provide value-added export services: the Manitoba Centre developed and delivered 11 export workshops to 458 SMEs, while Small Business BC offered 94 individual export coaching sessions as well as quarterly export seminars, with an average participation of 26 clients.

3. Advancing Western Canadian Interests in the Asia-Pacific

The Asia-Pacific Gateway Corridor Initiative (APGCI) is designed to better position Canada in the emerging global economy by addressing infrastructure, policy, governance and operation issues through one integrated strategy. The Federal Budgets of 2006 and 2007 announced $1 billion in new funding for the APGCI. Eighty per cent or $800 million of this total is to be invested in British Columbia and the balance will be invested in the other three western provinces. WD is responsible for undertaking research and other projects totalling $400,000 over two fiscal years , 2006-2007 and 2007-2008.

WD representatives participated in a number of events in Canada and Asian countries during 2006-2007 to advance western Canadian interests and opportunities in the Asia-Pacific region including the **2006 Global Buyers Mission** (GBM), held September 7-9, 2006 in British Columbia to recruit Asian buyers for value-added wood products, and **Globe 2006,** held March 29- 31, 2006 in Vancouver, British Columbia to showcase environmental technology companies. The 2006 GBM attracted 477 participants including 208 company representatives from across Canada; 190 international buyers (70 per cent of which were new to the event); as well as

architects and builders from across Canada. The mission resulted in various contracts for British Columbia value-added wood producers valued at $12 million. On the basis of this successful outcome, WD approved funding of $136,160 in support of the 2007 GBM to be held September 13-15, 2007 in British Columbia.

Sub-Activity: Access to Capital

WD has contributed to increased investment in targeted western Canadian firms through the development of two types of SME loan programs:

1. WD Loan and Investment Program (LI Program)

Under the LI Program, loan loss support agreements with financial institutions such as banks and credit unions are designed to provide "patient capital" for companies unable to secure regular financing. These agreements range in nature from those offering loans up to $1 million to SMEs throughout a broad geographic area, to more localized agreements offering micro-loans up to $35,000 to micro and start-up businesses in major urban centres. Agreements have also been negotiated to leverage additional loan capital from credit unions in British Columbia for rural business lending by CFDCs.

An evaluation of the LI Program, conducted by Ference Weicker and Company in 2002, is available on WD's website at: http://www.wd.gc.ca/rpts/audit/lifp/ic_e.asp.

With the help of $25,000 from Assiniboine Credit Union, backed by WD's LI Program, Jason Wagner started Trackitback in Winnipeg in late 2003. Through its website http://www.trackitback.com and toll-free number, Trackitback arranges for return of lost personal items using ID tags with unique registration codes and provides rewards to finders.

From that simple beginning, Trackitback has grown to $1 million in annual sales and sold its offerings to retailers such as Staples, Future Shop and London Drugs, here in Canada. Trackitback also exports its product and service into the United States, Australia, the United Kingdom, Ireland, and most recently Mexico Through its export efforts, TrackItBack has also successfully partnered with companies such as Sprint-Nextel, Sony and PC City. This success and financial security has allowed the company to move on to standard commercial financing outside of the WD/Assiniboine Credit Union arrangement.

In 2006-2007, the LI Program was renewed for an additional five years, based on the impact it has had since it was introduced in 1995, which includes 3,100 loans approved totalling $234 million for an average annual total of $19 million in small business financing.

For example, between the two **Assiniboine Credit Union Micro-Loan Agreements** (the original which began in 1998 and the new four-year agreement which replaced it in June 2006), the target was to leverage up to $7.8 million in financing by March 2010 for very small and start-up businesses in Winnipeg. As of March 2007, 524 loans totalling $6.4 million in financing have been made and an estimated 507 jobs created with a WD contribution of only $977,000.

2. Developmental Loans Delivered by the Western Canada Business Service Network

In order to strengthen the growth and competitiveness of SMEs, WD has improved access to risk capital through the WCBSN, which provides repayable loans to various SMEs in western Canada. The WCBSN also provide SMEs with path finding services and referrals to alternative sources of financing.

In 2006-2007, the 90 CFDCs approved 1,350 loans totalling $60 million to rural entrepreneurs. These loans leveraged an additional $62 million and were estimated to create or maintain in excess of 4,400 jobs. [8]

In 2006-2007, WEIs approved 96 loans totalling $3.9 million to women entrepreneurs. These loans leveraged an additional $4.2 million and were estimated to create or maintain in excess of 330 jobs.

Vector Geomatics Land Surveying Ltd. provides a wide variety of surveying, drafting and mapping solutions to municipalities and the oil and gas sector in BC. At peak capacity, the company employs 40 staff. In February 2006, Peter Stringer and Jason Whale, owners of Vector Geomatics, had sunk much of their funds into getting the business started, and were left without any resources in the final steps of renovating the leased office space on the Alaska Highway. At first, they turned to local banks, but the banks had done all they could for Vector Geomatics. So Peter turned to CFDC of Peace Liard which was willing to take on a client who had exhausted his resources and was a little higher risk. Peter has just paid back his CF loan in full.

The WEI evaluation recommended that WEI loan funds should be replenished. WD has undertaken an analysis of the WEI investment funds and will take appropriate action in the near future.

In 2006-2007, the external financing leveraged by FEDOs from loan funds of which WD is a partner was $200,000. This amount represents the loans approved through WD's LI Program agreement with le Conseil de développement économique des municipalités bilingues du Manitoba (CDEM) – the FEDO in Manitoba – and the Business Development Bank in Manitoba, which expired in June 2006 and was renewed in April 2007. CDEM is the only FEDO that chose to renew its LI Program fund targeted to Francophone clients.

In 2006-2007, the Entrepreneurs With Disabilities Program (EDP) approved 69 loans totalling $2.3 million. These loans leveraged an additional $3.4 million and were estimated to create or maintain in excess of 360 jobs.

[8] Includes rural Entrepreneur with Disabilities Program loans.

An evaluation of the EDP's predecessor programs undertaken in 2005 estimated that "the average … loan client generates $260,000 in revenues and six person years of employment over the first five-year period … that is attributable to the assistance that they received." The evaluation recommended that a formal strategy should be prepared that defines the key elements and approach for the programs going forward, and that WD identify key indicators and methodologies to be used to collect the data needed to effectively manage the programs and report on their progress. WD responded by developing a common framework, a plan of action and common performance indicators for the EDP. WD then incorporated these changes in the new long-term contribution agreements with the delivery organizations.

When east Vancouver's Andrew McCully lost his eyesight, it ended his career as an animator-designer. Today, he's putting his sensitive hands and knowledge of the human body to work as a massage therapist. With few assets and little previous business experience, the graduate of Vancouver's Emily Carr Institute of Art and Design anticipated difficulty borrowing the money he needed to buy massage tables and other equipment. After drafting a viable business plan, McCully borrowed $10,000 in September 2006 from VanCity Credit Union's ABLED program (Advice and Business Loans for Entrepreneurs with Disabilities) on a four-year repayment plan. By renting space at clinics in East Vancouver and Burnaby, he paid off his loan in January 2007.

The evaluation of EDP's predecessor programs is available on WD's website at: http://www.wd.gc.ca/rpts/audit/edp-uedi/default_e.asp.

Program Activity: Innovation

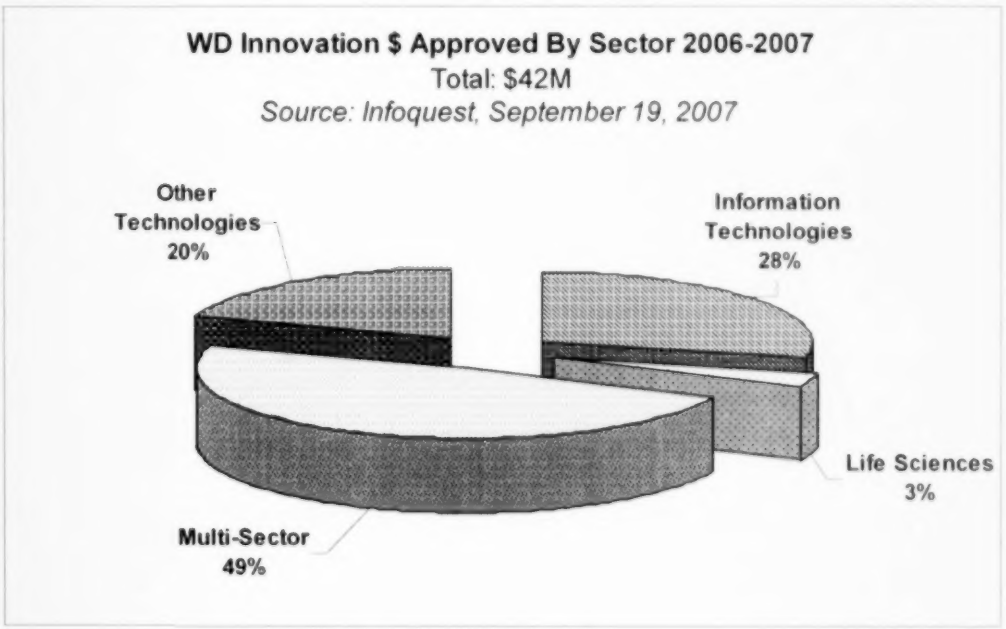
Financial Resources ($ thousands)

Planned Spending	Authorities	Actual Spending
53,627	60,893	58,329

Human Resources (FTEs)

Planned	Actual	Difference
78	78	0

Innovation, the translation of knowledge into new products and processes for economic benefit, is a primary tool for diversification of the western Canadian economy. During 2006-2007, WD continued to diversify the economy by supporting the foundation, development and growth of technology clusters in life sciences (health technologies), information and communications technologies (wireless) and other technologies such as environmental technologies. The following chart demonstrates WD's project funding approvals for 2006-2007 in support of Innovation, by sector. Almost half of new approvals were made to projects that are horizontal in scope and benefited clients across sectors.



Program Activity Results

To strengthen the western innovation system, WD works with many partners to identify, develop and support initiatives. WD's contribution of $42 million to innovation was matched by support of $41 million from provinces and almost $80 million from other sources including non-

government organizations and industry. For each dollar contributed by WD, other innovation system players invested $2.88.

In 2007, WD commissioned an independent consultant to undertake an assessment of WD's investment in the life sciences sector from April 2000 to March 2006. The methodology included interviews with project recipients and key informants in the life sciences sector, case studies, review of project findings and analysis of economic impacts. The consultants found that WD's investments of $130.8 million leveraged an additional $344.2 million from other sources. The estimated economic impact of WD's investments resulted in direct and indirect economic impacts of $189 million, contribution to GDP of $88.9 million and the creation of 1,654 jobs.

In support of Innovation, in 2006-2007 WD approved contribution funding for projects in the following five sub-activity areas:

- To increase **technology adoption and commercialization**, WD approved funding for 11 projects totalling $28.2 million. As a result of this investment of funding, WD anticipates 38 technology demonstrations, 75 licences executed, 16 spin-off companies and a projected $5.5 million in incremental venture capital investments.

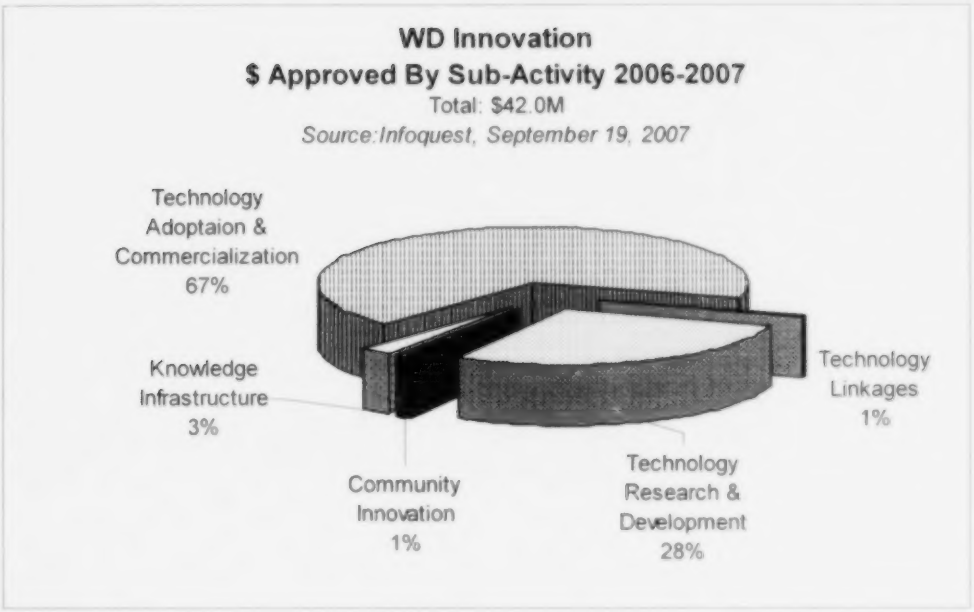
- To increase **technology linkages** among innovation system members, WD approved funding for eleven projects totalling $312,278. As a result of this investment of funding, WD anticipates 13,997 attendees at networking events, 42 new network members and the formation of two new partnerships or networks.

- To increase **technology research and development** (R&D), WD approved funding for five projects totalling $11.9 million. As a result of this investment of funding, WD anticipates identifying 360 products for further R&D and supporting 387 skilled personnel.

- To increase **community innovation**, WD approved funding for four projects totalling $531,022. As a result of this investment of funding, WD anticipates completing five studies and providing 312 individuals with enhanced skills.

- To increase **knowledge infrastructure**, WD approved funding for three projects totalling $1.2 million. As a result of this investment of funding, WD anticipates $2.0 million worth of R&D undertaken in new facilities or using new equipment, 172 square metres dedicated to R&D skills training, and one new physical asset.

WD did not approve any project funding to increase **technology skills development** in 2006-2007, but remains receptive to participating in projects within this sub-activity as a means of supporting the creation and growth of knowledge-based R&D and business clusters. WD continues to support on-going activity in this area, such as the WestLink Innovation Network, which was reported in the 2005-2006 Departmental Performance Report.



Sub-Activity: Technology Adoption and Commercialization

WD supports a range of activities under the broad umbrella of technology adoption and commercialization, all of which contribute to creating wealth or increasing productivity. Since WD no longer provides direct support to industry, many of the investments are to organizations that serve industry needs through training, assessment services and demonstrations, leading to productivity improvements and new value-added products. Support is also provided to organizations that transfer technologies by identifying and protecting intellectual property, licensing technologies and forming new spin off companies.

In 2006-2007, 67 per cent of WD support has been allocated to technology adoption and commercialization. This funding has been allocated to two major initiatives: **TEC Edmonton**, a Regional business incubator, centralizes technology commercialization services for entrepreneurs such as advice, incubation and intellectual property protection; and **Springboard West Innovation Inc**., which will provide similar support to entrepreneurs in Regina. The expected results of these two investments include five technology demonstrations, 75 incremental licences executed, 15 spin-off companies and a projected $5.5 million in incremental venture capital investments.

The following examples demonstrate some of the results of WD's investments. Many of these investments were made in past years, some as long as 15 years ago, and are now providing long term economic benefits.

1. Stem Cell Network (SNC) – Aggregate Therapeutics

Established in 2001, the SCN is one of Canada's Networks of Centres of Excellence and is the only network in Canada that brings together more than 70 leading scientists, clinicians, engineers and ethicists to investigate the therapeutic potential of adult stem cells for the treatment of

diseases currently incurable by conventional approaches. SCN focuses specifically on several key areas: stem cell applications and cellular therapy; therapeutics and drug discovery; tools, reagents and diagnostics; and public policy. In 2005-2006, 16 of SCN's 43 universities and 74 of SCN's 303 Highly Qualified Personnel were located in Alberta and British Columbia.

In 2005, WD committed $500,000 to SCN to support a $3 million project to develop further a new model for commercializing university and hospital-based stem cell research that led to the establishment of a for-profit company, Aggregate Therapeutics Inc. (ATI). ATI has negotiated and executed a collaborative Intellectual Property (IP) Agreement and Tool Kit nationally with 16 major institutions and 37 investigators. Using the IP tool kit template agreements, ATI has announced 50 disclosures, 12 option negotiations, two license negotiations, two material transfer negotiations and six sponsored research negotiations. ATI also has exclusive first right to negotiate the commercialization of stem cell technologies from the laboratories of 37 leading Canadian scientists. ATI is currently negotiating financing of its first spin-off company and was recently the focus of a major partnership announcement between the SCN and MaRS (a convergence innovation centre located in Toronto's "Discovery District"). Both organizations have committed to providing long-term funding for ATI's translational activities, expanding the ATI model into other areas of regenerative medicine and applying it more broadly to other technology areas.

Through its support of SCN, WD has played a role in a national initiative to support technology commercialization in adult stem cell research.

2. Network for Emerging Wireless Technology (NEWT)

NEWT, a division of TRLabs, provides support to wireless telecom companies in testing and developing pre-commercial products. NEWT's mandate is to promote wireless innovation and competency in Western Canada and provides a test facility, education and mentorship programs, strategic business and marketing support, as well as technical resources. The $4.9 million project was supported by WD ($2 million), the Province of Alberta and major industry partners such as Sun Microsystems, IBM, Hewlitt Packard, Nortel and Telus.

Over five years of operations, NEWT has succeeded in its role as a technical development facilitator in wireless commercialization. In 2006, NEWT had 66 industry members, who averaged 14 days of lab use. Since the lab opened in 2002, NEWT's facilities have been utilized for 750 lab use days, resulting in the completion of 150 projects, including 99 external (directly benefiting a company) and 47 internal (directly benefiting the industry at large) projects.

One client, Calgary-based Wireless Edge, a leading innovator and supplier of mobile data networking solutions for telecommunications carriers, used NEWT facilities to test its product, SecFi. *"Testing demonstrated that SecFi works well in cell phone networks, efficiently detecting and removing infected messages."* says Wireless Edge CEO Dr. Husam Kinawi.

Another client, SMART Technologies, used NEWT facilities to test its SynchronEyes computer-lab instruction software, a product that enables networked student workstations to be monitored and controlled from one teacher's computer, in a wireless network-based computer-assisted learning environment.

3. Canadian Environmental Technology Advancement Corporation (CETAC-WEST)

CETAC-WEST is a not-for-profit corporation with a mandate to support the development and commercialization of new environmental technologies in Western Canada. In March 2003, WD approved $421,000 towards a $1.48 million project to develop improved operational technologies for the oil and gas sector, specifically for gas plants. Other partners were NRCan's Technology Early Action Measures (TEAM) program ($460,000) and industry participants ($600,000).

CETAC undertook audits of various processes and systems at 18 gas plants in Alberta, substantially more than the six planned audits. The audits revealed significant reductions in environmentally unfriendly emissions, which also represented lost revenue from wasted product. Based on industry demand, CETAC was able to leverage extra funding from industry participants. The audits resulted in 191 recommendations for emission reduction opportunities and covered a wide spectrum of processes. This represents potential emission reductions of over 240,000 tonnes of carbon dioxide equivalents per year and annual fuel and electrical cost savings of more than $14 million. Follow-up audits at six plants confirmed the impact of implementing the initial recommendations. CETAC also hosted and presented four "Energy Efficiency" Workshops that were attended by over 270 individuals. The workshops allowed CETAC-West to share program results and solicit industry input, leading to increased industry acceptance and participation.

4. Hydrogen Highway

In 2002, WD made early stage infrastructure investments in hydrogen and fuel cell technologies, which can take time to show results. These clean technologies are environmentally sustainable and emit no green house gases, thus reducing the impact of climate change. In addition to early support for Ballard Power Systems Inc. and several other hydrogen and fuel cell companies and initiatives, WD committed more than $2 million towards three research and demonstration projects with a total value of $6.7 million, which have helped pave the way for the BC Hydrogen Highway. Through the Canada-BC Western Economic Partnership Agreement (WEPA), WD supported the development of the first node of the BC Hydrogen Highway, a hydrogen fuelling station system at the BC Hydro Powertech Labs facility in Surrey. As well, WD supported the development of the prototype micro-fuelling apparatus and research at the Pacific Spirit Station, which have contributed to building the BC Hydrogen Highway and development of additional fuelling stations.

In April 2007, the Province of British Columbia announced its $89 million commitment to develop the world's first hydrogen bus fleet via the deployment of 20 fuel cell buses in Whistler in time for the 2010 Olympics, and the construction of hydrogen fuelling stations there and in Victoria by 2009. WD's early support, along with that of the National Research Council's Institute for Fuel Cell Innovation, Natural Resources Canada (Canadian Transportation Fuel Cell Alliance Program), the Province of British Columbia and Hydrogen & Fuel Cells Canada, has contributed to making Canada a leader in hydrogen fuel cell technologies. This sector currently employs some 1,900 people in Canada, with the majority located in the greater Vancouver area.

5. Springboard West Innovations Inc.

Under WEPA, WD has allocated $2.2 million to a $3.385 million project to establish Springboard West Innovations Inc. at the University of Regina (U of R) Research Park. The goal is to increase technology commercialization in the community. As well as training, promotion and business incubation, Springboard West will serve as a focal point for taking technologies developed at the U of R to market and as a conduit for industry and entrepreneurs to access university resources in research, technology and business. By bringing together academics, business, researchers and entrepreneurs, Springboard West will work toward creating a collaborative, interdisciplinary culture of innovation and entrepreneurship.

By focusing primarily on energy, environment and informatics, Springboard West will complement the U of R's Centres of Excellence in those areas. By locating at the Research Park, Springboard West Innovations Inc. will contribute to new working relationships and critical mass. Springboard West plans to create five technology demonstrations over the next two years, and 15 spin-off companies by March 2010. Corporate sponsorships and revenues are projected to exceed $900,000 by 2010.

6. Robotic Intra Venous Automation (RIVA)

The story of RIVA demonstrates that the results of WD investments are not always immediate and the persistence shown by the inventors and product developers can lead to substantial payoffs. It took 15 years from conception, product development, testing and marketing to reach the stage where significant economic benefits flow to the local economy. In 1992, WD provided $522,000 to a product development firm located at the St. Boniface General Hospital Research Centre, which was developing a robotic delivery system to support the distribution of pharmaceutical compounds in intravenous bags. The product was targeted to major hospitals and was envisioned to be a more efficient, safe and economical than conventional delivery systems.

A Winnipeg based company, Intelligent Hospital Systems, successfully demonstrated RIVA at the St. Boniface General Hospital Research Centre. Two RIVA units have been sold to the University of California and sales of six additional units, which retail for $1 million each, are pending. With additional private sector investments, a 15,000 sq. ft. manufacturing facility employing up to 60 people will soon be opened in Winnipeg to meet anticipated market demand.

7. Canadian Manufacturing and Exporters (CME)

Under the Canada-Manitoba Economic Partnership Agreement, WD provided $992,600 towards a $4 million initiative to enable the CME to administer the Rapid Response Advanced Manufacturing Initiative (AMI), which focuses on lean manufacturing theory and human resources (HR). AMI offers education and awareness, diagnostics, benchmarking, mentoring, and tools to encourage Manitoba companies to adopt lean manufacturing processes. Since highly qualified personnel are vital, the HR component includes certification, curriculum and strategic skill development.

This project continues to be industry driven. Manufacturers credit gains in quality, productivity, and teamwork to lean manufacturing techniques. Firms also report being better able to withstand industry downturns and intense competition. For example, AMI's programs have enabled one PVC fence manufacturer to reduce set up times for certain production runs by 86 per cent,

realizing annual savings of $20,000. A local foundry operation can save up to $300,000 annually and generate at least two new ideas per employee.

The project, which continues until 2008, has exceeded many performance targets: two new certification programs, 1,500 people trained, eight special interest group activities, 100 graduated trainers and 26 lean manufacturing awareness programs. As a result of this initiative, an economic development plan for the manufacturing sector was created through direct industry consultation. The plan is a cohesive strategy for the future of manufacturing in Manitoba and identifies four key areas: vision and leadership, human resources, business environment and long-term strategies.

Sub-Activity: Technology Linkages

Creating connections among the members of the innovation system has a number of outcomes. Positive working relationships can result in shared learning and best practices, leveraging resources, building capacity and strengthening the cluster. The following are examples of initiatives that increased linkages both locally and across the West.

1. New Media BC (NMBC)

WD provided $195,000 to NMBC to support the $663,500 Digital Coast Project. New Media BC is a not-for-profit industry association that promotes, unites, and educates British Columbia's digital media industry. NMBC assists approximately 200 new media companies with e-learning, web development, video game development, software, digital content, animation, visual effects and post-production.

With the Digital Coast project, NMBC developed a "Networked Ecosystem Infrastructure" – meaning a unified strategic vision and a coherent developmental strategy among key stakeholders in the new media value chain. A five-year business plan has enabled NMBC to move on to phase two of the project: design, implement and execute a branding strategy to re-position British Columbia's new media industry as a world leader in its field. This has led to NMBC and its industry and other partners securing a $40.5 million commitment from the Province of British Columbia for the establishment of the planned World Centre for Digital Media and for the new Masters level program in digital media at Great Northern Way Campus, which will start in September 2007.

2. Wellness West

Wellness West is focused on developing and growing the Functional Foods, Nutraceutical and Natural Health Products industry in Western Canada. Operating under a Memorandum of Understanding (MOU), the four western provinces, the National Research Council and WD are collaborating to address industry issues and support technology and innovation in this sector. An industry advisory board provides valuable feedback to WD to ensure that activities meet industry needs. The parties have invested $1.2 million in cash and in-kind to support Wellness West. A suite of products directed at growing the industry have been developed and implemented including a Commercialization Technology Roadmap, a Technology Infrastructure Database as well as Competitiveness and International Marketing Intelligence.

By collaborating, the parties have leveraged their resources to facilitate the growth of the sector in Western Canada. Some of the anticipated benefits of the MOU are increased collaboration between companies and researchers, the development of necessary infrastructure support for firms and diversification of the agriculture sector.

Sub-Activity: Technology Research and Development

Applied R&D leads to new discoveries that ultimately are commercialized as new products and services or are integrated into an existing organization resulting in value-added products or efficiencies in the organization. New discoveries, often called disruptive technologies, can lead to an entirely new approach. Other R&D can enable a traditional sector to develop new products or processes.

1. Calgary NeuroArm

In January 2002, WD approved $3 million for the University of Calgary in support of a $27 million R&D project along with the Canada Foundation for Innovation, Canadian Institutes for Health Research, the National Research Council of Canada, Alberta Advanced Education and Technology, Alberta Heritage Foundation for Medical Research, the Seaman family and other philanthropists.

University of Calgary's NeuroArm has been in research and development for more than six years and is the world's first magnetic resonance imaging (MRI)-compatible surgical robot. The MRI uses an IMRIS magnet, made in Winnipeg, and developed at the Institute of Biodiagnostics. WD provided support for the installation of the IMRIS magnet at the Calgary Foothills Hospital. The surgical arm is fashioned after the two Canadarms, built in Canada for use on NASA space shuttles and was built in collaboration with MacDonald, Dettwiler and Associates, the company that built the Canadarms. The NeuroArm, which has two arms and two cameras, works in conjunction with real-time MRI, enabling surgeons to manipulate tools on a microscopic scale, and provides sensory feedback, which will result in safer and less-invasive brain surgeries. The technology is meant to enhance humans, not replace them and could extend a surgeon's operating career.

The NeuroArm is expected to forever change the way surgeries are performed. It will allow unprecedented accuracy at the molecular level, enable remote-controlled surgery and improve the overall outcome of surgery. The NeuroArm is now moving out of development, and the first human surgery testing with the device is expected in 2007. After approval by Health Canada, NeuroArm will eventually go to the global market. The technology may be applicable for a wider variety of surgeries.

2. Forintek Canada Corp

Forintek is a private, non-profit wood products research consortium. It is Canada's leading applied research institute for the solid wood products industry, which manufactures lumber, plywood, oriented strand board, medium density fiberboard, particleboard and value-added products. Forintek develops scientific and technical knowledge and then applies it to the Canadian wood products sector. Forintek increases the competitiveness of member companies by fostering optimized manufacturing processes and encouraging the extraction of higher value

products. Across Canada, Forintek has 190 wood company members and is currently working with eight provinces.

WD has supported a number of projects with Forintek in all western provinces to support technology transfer and adoption in the forestry industry. Under the Canada-Alberta Economic Partnership Agreement, WD and Alberta Sustainable Resource Development each provided over $1.8 million in funding, with industry providing $675,000 to a $4.43 million initiative. During 2005-2006, Forintek handled 92 technical enquires from Alberta industry, had 183 plant visits/meetings with Alberta industry officials, held six workshops, and carried out eight projects/technical assessments with firms. As a result of four of these eight projects, and an initial investment of $35,000 by the firms involved, these firms reduced costs or increased revenues for a contribution to their bottom line of $2.1 million.

WD provided $133,500 to help fund Forintek's initiative to provide technology and manufacturing advice to the primary and value-added wood product sectors of Saskatchewan's forest industry.

To accomplish this goal, Forintek organized plant visits from technical and scientific staff and industry advisors and also delivered regular seminars, conferences and workshops that encouraged the transfer of wood product manufacturing and market knowledge to the Saskatchewan industry.

Overall, the impact of the project was experienced in increases in plant efficiency and productivity, high quality products and expansion into new markets. For example, a Regina-based manufacturer reported a 50 per cent increase in production by reducing waste and improving production flow, while another company located in north-eastern Saskatchewan improved their manufacturing process through technical information provided by Forintek.

3. The Centre for Drug Research & Development (CDRD)

WD's investment of $400,000, along with $300,000 from the Province of British Columbia and approximately $1.4 million from industry, Simon Fraser University, University of British Columbia (UBC) and others, led to the establishment of the CDRD at UBC and supported 18 months of start-up operations. The mandate of the CRDC is to advance new drug therapies and medicines from the discovery stage to commercialization. This initial investment has enabled CDRD to obtain funding commitments of over $50 million from other sources including the Province of British Columbia, the Canada Foundation for Innovation and industry.

At a recent media announcement in Vancouver attended by Minister Ambrose, Natalie Dakers, CEO of CDRD, noted the key role WD played in the advancement of the Centre: *"WD was critical to the success of CDRD, providing essential start-up funding that helped keep the CDRD dream alive over the last year while the team was securing longer-term funding."*

Sub-Activity: Community Innovation

Innovation at a community level can contribute to a region's prosperity and focus community resources. This can happen on a horizontal basis or a geographical basis, as shown in the following examples:

1. Aboriginal Training for the Aerospace Sector

Aboriginal students will be better equipped for high-demand jobs in Manitoba's aerospace, manufacturing and construction industries, as a result of WD's investment of $320,000 in 2006-2007 towards new equipment purchases for the Neeginan Institute of Applied Technology.

Training will be provided in a variety of industrial occupations in the province's growing aerospace, manufacturing and construction industries. The project's goal is to address Manitoba's skilled labour shortage and produce graduates in high-demand trades in a way that is flexible enough to meet employers' needs and specifications. The Institute's certified training programs are offered only when an employer commits to hiring the graduates, and students are selected jointly with employers. Within a year, the Institute plans to graduate a total of 156 Aboriginal students. Border Glass, Standard Aero, Boeing, Custom Steel and Carlson Composites have all committed to hiring the graduates.

2. Saskatchewan Research Network (SRnet)

Community innovation is enabled through high-speed communications networks. WD invested $187,200 in a $1.225 million project to expand the SRnet, involving the purchase and installation of equipment needed to extend the SRnet through Prince Albert and LaRonge. This extension of SRnet's network infrastructure will provide an ultra high speed backbone infrastructure capable of supporting the use of high quality multi-point video conferencing and the transmission of large data and image files to support inter-provincial and international public and private collaborative research, as well as health and education activities. SRnet now has 14 members, including four members from Prince Albert and three members from LaRonge. This investment in technical infrastructure will create potential opportunities in Northern Saskatchewan for research-intensive businesses and institutions, in addition to collaboration with educational facilities.

3. The University of Victoria Innovation and Development Corporation (IDC)

In March 2006, WD approved $185,600 for the University of Victoria IDC to assist the long-term viability of technology commercialization on Vancouver Island. The goal of this two-year, $1.1 million project is to provide effective technology transfer practices to Vancouver Island institutions that have experienced difficulty in bringing their intellectual property into the commercial sphere.

The IDC was created in 1991 to serve as the University of Victoria's technology transfer office. By offering a range of technology transfer services to faculty, staff and students, IDC has acted as a conduit between the University's researchers and the external business community. Funding for the latest phase of this project went towards IDC efforts to provide a comprehensive suite of technology commercialization services at four Vancouver Island post-secondary education institutions, as well as the creation of an efficient technology commercialization network. In addition to these tasks, the IDC aimed to create technology commercialization agreements with eight federal research labs and the Western Canadian Universities Marine Biological Station on Vancouver Island. By March 2008, it is expected that IDC will develop eight prototypes, file 10 patent applications, spin off eight companies and enter into six service agreements.

4. Light House Sustainable Building Centre (SBC)

WD contributed $200,000 to a $401,000 project at Simon Fraser University's Centre for Sustainable Community Development to establish a SBC, supporting the development of the sustainable building market and cluster in British Columbia. The Light House SBC provides a point of service "hub" for regionally specific information on products, technologies and services. Focusing on both new and retrofitted buildings of all types, the Light House SBC provides the "missing link" in the information delivery chain between information service providers (such as government programs, utilities, technology developers, industry associations, etc.) and the broader market. The Light House SBC is supported by business, academia and government.

This project has exceeded all project indicators. The centre has attracted 4,300 public visitors and 2,800 interactions with industry. There have been 97 training sessions, up substantially from the target of 15, and 15 development projects have proceeded.

Jorge Marques, Acting Director of the Sustainable Office at UBC, recently provided the following endorsement of Light House SBC: *"Since its launch, Light House has been filling a critical need by facilitating the transition to sustainable building practices. By current standards, building industry is responsible for 30 per cent of the world's energy consumption and 40 per cent of the Lower Mainland's greenhouse gas emissions. By enabling people to engage in sustainable building practices, Light House is bringing us closer to meeting the social, economic and ecological needs of future generations."*

Sub-Activity: Knowledge Infrastructure

Nanotechnology is a key platform technology, with broad reaching impacts on both traditional resource sectors as well as new economy sectors. WD has provided support of $14.5 million toward $30 million in projects to build nanotechnology capability in all provinces of Western Canada. The effort has been concentrated in Alberta.

1. NanoFab - University of Alberta

Since 2000, WD has provided over $3 million for micro equipment and a clean lab in the NanoFab at the University of Alberta (U of A). To date, 782 users, 12 Canadian universities, groups from six provinces, 108 academic research groups and 32 companies have used the facilities at NanoFab. Other major WD investments at the U of A build on these investments in NanoFab. These include $4 million in pre-commercial research/demonstration projects through the Micro Systems Technology Research Initiative; $3.8 million to create incubator space and support commercialization in the National Institute for Nanotechnology and $1.8 million for the development of cancer detectors through the Alberta Cancer Diagnostic Consortium. In each case, these other projects have or will utilize the NanoFab.

A cluster of commercial firms are now located in Alberta that are spin-offs either directly or indirectly of research at the University of Alberta. Most of these firms are active in the area of Micro-Electrical-Mechanical Systems (MEMS), which is directly related to the work carried out at NanoFab. MEMS have currently been identified as the most promising area for near-term local commercial benefits arising from nanotechnology.

2. Nano-System Fabrication Lab (NSFL) - University of Manitoba

WD provided support of $1.24 million toward the $4.0 million NSFL at the University of Manitoba. Growing interest in nano-fabrication demanded new infrastructure investments to expand capability and foster innovation and commercial collaboration. Expansion of the NSFL allows researchers to prototype MEMS and support projects in telecommunications, advanced manufacturing, energy storage, nanoelectronics, civil infrastructure monitoring, aerospace, micro-sensors, and the life sciences.

The NSFL has exceeded its 2007 performance targets with R&D projects valued at $1.5 million, six patents filed, and 23 products or processes identified for further R&D. Progress is on track for other targets including the number of projects undertaken annually and the number of researchers using the lab annually.

The NSFL is utilized by organizations external to the university, including the Communication Research Centre, the Canadian Space Agency, InfoMagnetics, the Intelligent Sensing for Innovative Structures organization, Iders, Manitoba Hydro and Manitoba HVDC Research Centre. NSFL assistance to high-school research led to an award-winning project in microfluidics.

COMMUNITY ECONOMIC DEVELOPMENT

Strategic Outcome: To support economically viable communities in Western Canada with a high quality of life

WD is developing performance indicators for this Strategic Outcome. The following statistics represent a preliminary effort to assess the current state of Community Economic Development in Western Canada:

- In 2006, the disposable income per capita in Western Canada was $27,175 compared to $25,623 for Canada as a whole;
- In 2005, the labour productivity growth as reflected by the real GDP per hour worked was 1.0 per cent in Manitoba, 1.7 per cent in Saskatchewan, 0.8 per cent in Alberta, and 1.1 per cent in British Columbia, compared to 1.1 per cent for Canada as a whole;
- In 2005, educational attainment as reflected through the percentage of the population with a university degree, college diploma or trade credentials was 45.9 per cent for Western Canada compared to 48 per cent for Canada as a whole.

Program Activity: Community Economic Planning, Development and Adjustment

Financial Resources ($ thousands)

Planned Spending	Authorities[9]	Actual Spending
137,212	123,478	108,407

Human Resources (FTEs)

Planned	Actual	Difference
99	99	0

Despite the West's strong overall economic performance, many communities and regions continue to face challenges in attracting investment and realizing potential opportunities. Others, because of the rapid growth, have to contend with managing that growth to sustain it over the long run. At the same time, there are groups in the West who cannot for one reason or another participate fully in the mainstream economy. Western Canada cannot fulfill its economic potential without ensuring that all westerners are included. This is particularly true when it comes to Aboriginal peoples in the West, where 62 per cent of the Aboriginal population in Canada live (800,000 people). The Canadian Chambers of Commerce estimate that a lack of Aboriginal participation in the economy costs the country approximately 1.5 per cent of its GDP, or half of its projected growth for 2008.[10] In parts of the West, the impact is particularly severe

[9] Total Authorities are lower than Planned Spending as the $29M grant for the Prince Rupert Port Authority was reflected as planned against the Community Economic Planning, Development and Adjustment program activity instead of the Business Development and Entrepreneurship program activity. During the fiscal year, WD received a further $15M grant, through Supplementary Estimates B, for the Primrose Lake Air Weapons Range, which is included in the Authorities.

[10] http://www.chamber.ca/cmslib/general/CLC082005.pdf.

because of the high proportion of the Aboriginal population[11] and the detrimental effects of labour shortages on economic growth and development.

WD plays a key role in addressing these issues in the West by forging partnerships between governments, community organizations and other stakeholders. The department delivers federal programs that target communities threatened by severe economic adjustment impacts, such as those communities dependent upon salmon fishing and forestry in British Columbia. WD facilitates economic recovery by working collaboratively with the WCBSN to carry out Aboriginal economic development and other community economic development initiatives. WD's work also impacts urban centres through urban economic development agreements; federal provincial agreements, such as WEPA, the Canada-Saskatchewan Northern Development Agreement; and the Infrastructure Canada Program agreements.

The intent in all these initiatives is to develop purposeful partnerships with other governments and local groups to support the growth of western Canadian communities in ways that can be maintained in spite of global economic pressures. Diversification of Western Canada's heavily resource-based industrial structure and increasing the value-added of our current economic output are fundamental to ensuring stable long-term economic growth, business productivity and the creation of skilled jobs and technologies that will drive the economies of the future. The ultimate goal is to ensure that Western Canada's communities are economically viable and that they support a high quality of life.

Program Activity Results

In support of Community Economic Planning, Development and Adjustment, WD achieved the following results in 2006-2007:

CFDCs and FEDOs reported that their efforts resulted in 952 instances of increased capacity in community organizations, 337 enhanced community services or facilities, and 235 instances of increased community stability.

In addition, a third party consultant completed an impact assessment of WD's Aboriginal activities from 1999 to 2005 and concluded that the projects supported by WD are generating significant impacts. The assessment indicated that WD's support for Aboriginal initiatives has resulted in $5.11 in additional investment for every WD dollar – a total of $270 million over five years and over 4,200 full-time and part-time jobs. The initial investment is projected to have generated follow-up investment of $70 million and a total of 9,500 future jobs, training and education for 12,900 participants, as well as assistance related to business start-up or expansion for 3,500 businesses.

Community economic development projects, by their very nature, take longer to demonstrate results. Yet, the lack of community capacity has been identified as a major barrier to increased economic participation and the development of business-to-business relationships with industry. The impact study of WD's Aboriginal activities concluded that the success of projects is determined not so much by the type of project as by:

- Strong partnerships;

[11] In Saskatchewan and Manitoba, Aboriginal peoples represent almost 15 per cent of the population, and the numbers are growing three times faster than the general population.

- Committed champions and leaders;
- Active participation of the Aboriginal community;
- Capable staff and management group;
- Community-driven focus; and
- Good planning.

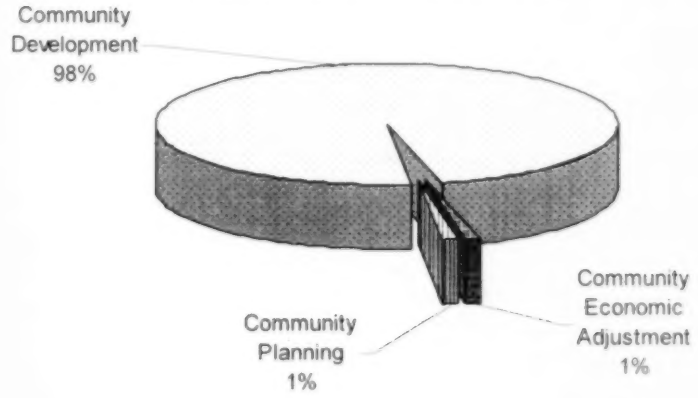
In 2006-2007, WD also approved contribution funding for projects in the following three sub-activity areas:

- To enhance **community planning**, in 2006-2007 WD approved funding for 16 projects totalling $652,599. As a result of this investment of funding, WD anticipates: 5 activities providing communities with planning leadership and expertise; 110 instances of facilitating community involvement; and maintaining or developing 30 partnerships.

- To support **community development**, WD approved funding for 38 projects totalling $64.5 million, including $18 million for the Mounted Police Heritage Centre through the Saskatchewan Centennial Initiative, $15 for Primrose Lake Economic Development Corporation and $5 million for the Britannia Mine Interpretive Centre. As a result of this investment, WD anticipates: 64 jobs created or maintained; 120 businesses created, maintained or expanded; 390 people trained; 18 enhanced community services or facilities; 34 community organizations with increased capacity; and 11 communities with increased stability.

- To facilitate **community economic adjustment**, WD approved funding for three project totalling $667,035. As a result of this investment of funding, WD anticipates 200 businesses created, maintained or expanded.

WD Community Economic Planning, Development, & Adjustment
$ Approved by Sub-Activity 2006-2007
Total: $65.8M
Source: Infoquest, September 19, 2007



Sub-Activity: Community Planning

One component of a sound Community Economic Development model is planning for the future economic well being of the community. Here are some examples of WD-supported projects that promoted community planning:

1. Rural Community Economic Development (RCED)

WD is investing $2.9 million, over a three-year period, through WEPA for the RCED pilot project to increase rural coordination and federal-provincial collaboration. The Community Futures Network of Alberta (CFNA) is managing funds for projects to support community economic development activities through the efforts of the 27 CFDCs across Alberta. The Alberta government provides similar funds to their Regional Economic Development Alliances (REDAs). In addition, the CFNA has hired three community economic development experts to assist CFDCs and REDAs across Alberta to increase their organizational and community capacity. REDAs and the CFDCs located within the same geographical area collaborate to leverage activities of common interest and to share knowledge and expertise to support sustainable communities and increase economic development capacity within rural communities. To date, 58 projects have been approved totalling $ 1.76 million under RCED.

The goal of the Defence Industry Development in Eastern Alberta (2006) project was to enhance procurement opportunities for rural businesses located near Canadian Forces Bases at Suffield, Cold Lake, and Wainwright. As a result of this project, 113 business people, municipal officials and economic development officers in eastern Alberta received training on the MERX system. In addition, the project gathered baseline data on local procurement that will be used to measure future progress. The Crowsnest Development Constraints and Conservation Priorities (2006) project involved the creation of a GIS-based digital mapping tool to allow the Municipality of Crowsnest Pass to become more proactive in responding to development pressures. The mapping tool is used to rank and weigh development constraints and conservation values, and is proving to be successful in identifying the critical areas for wildlife habitat based on scientific evidence. It has also uncovered information being compiled by government, environmental organizations and industry, of which the municipality was unaware.

CFNA maintains a "best practices" inventory of CED projects on its web site at: http://www.cfnsa.ca/cfna/public/rced_introduction.html.

2. Whitecap Dakota First Nation and Highway 219 Tourism Plan Development

In July 2005, WD approved $116,800 in funding over a two-year for Dakota Land Holdings Ltd. period to hire a Tourism Development Co-ordinator to assist in the development of tourism related activities for the Whitecap Dakota First Nation region and the Highway 219 Tourism Corridor. The objectives of the project included:

- develop, plan and implement a Tourism Transportation Network;
- provide input into the development of a River Valley Authority for the South Saskatchewan River south of Beaver Creek, consistent with Whitecap's development plans and the Whitecap Land Code; and
- create a Regional Tourism Plan for the district.

The first two objectives have been met while the regional tourism plan is in the early stage of development.

3. North Eastman Regional Economic Development Strategy (NEREDS)

Community Futures Winnipeg River has been instrumental in leading NEREDS, a regional initiative to build community capacity, identify and respond to opportunities that build upon the strengths of the region and develop solutions to address specific economic development challenges that the region is facing. Through ongoing meetings and planning sessions, community representatives developed a regional economic development strategy, which demonstrates an enhanced level of regional commitment, community ownership and partnership development. Co-operation and coordination between communities and stakeholders in the region has increased considerably. Overall, NEREDS has assisted in community economic development by:

- Helping communities work toward the common goal of sustainable community economic development;
- Building capacity among councils, community groups and the business community to address specific community economic development challenges;
- Fostering partnerships and building a supportive environment for advancing the region's goals for community economic development;
- Helping to maintain and diversify the economic base of the region by strengthening the business community, building on existing economic sectors and increasing opportunities for new business development; and
- Helping to enhance labour force and human resource capabilities by retaining and attracting youth and diversifying the skills base of the population.

Sub-Activity: Community Development

A second component of a sound Community Economic Development model is the identification and implementation of initiatives to ensure the future economic well being of the community. Some examples of WD-supported projects that promoted community development, ensuring the viability and diversification of the local economy, include the following:

1. Women Building Futures (WBF)

WBF is a non-profit organization that helps women build better lives through training and mentorship. As of March 31, 2007, WBF has trained over 240 low-income women, of which 95 per cent have graduated. Of these graduates, 100 per cent have found employment in Alberta's construction and oil and gas trades. Sixty per cent of the women participating in WBF are Aboriginal. WD's investment of $1.2 million helped WBF expand its operations by increasing its teaching and administrative areas. The renovated facility will allow the organization to increase the number of students graduating from its 16-week, pre-apprentice training program from 60 to as many as 400 annually. Through funding from other sources, WBF is also retrofitting the top floor of the warehouse and adding two additional floors, which will create 42 affordable housing units and ensure women accepted into their training program have secure accommodation.

2. Film Training Manitoba

WD provided $130,000 towards a $735,000 pilot program that will mentor and train 24 recruits to fill senior positions with Manitoba film crews, reducing the need to import expertise from outside the province. The project assists employers to hire individuals, through a competitive process, in designated positions by contributing 33 per cent of the candidate's salary up to a maximum of $3,000 per placement. The employing film production company pays the balance of the of associated costs as their contribution. Since the official launch of the initiative in April 2006, 19 participants have joined the program, 11 participants have been upgraded to priority positions and four graduates have been hired permanently in film production.

3. Immigrant Access Fund (IAF)

The IAF Society of Alberta provides loans of up to $5,000 towards accreditation, training and skills upgrading of immigrants who have worked in a profession or trade in another country and lack access to other financial resources. The fund helps these immigrants successfully integrate into the economy. The Society's loan fund is supported through fund-raising as well as a revolving line of credit. WD's investment of $400,000 helps to cover a portion of the loan delivery costs, as well as the operational costs of the IAF. The Calgary Foundation administers the loan fund.

As of March 31, 2007 the Foundation has granted 44 micro-loans, 31 of which have been to men and 13 to women. Five loan recipients have received their accreditation or completed their upgrading and four loan recipients have found jobs in their field. Four recipients have repaid their loans in full. There have been no losses on loan paybacks, as recipients are highly motivated to pay the loans back. Recipients have up to two years to complete their accreditation program. Since IAF only started granting loans in mid-2005, most recipients are still completing their program.

4. Canada Saskatchewan Northern Development Agreement (NDA)

In the fall of 2002, the governments of Canada and Saskatchewan signed the Northern Development Agreement (NDA), with the people of Northern Saskatchewan as program partners. The intent of the five-year Agreement was to enhance the economic opportunities available to Northerners through training.

Alberta and Saskatchewan Centennials Update

Designed by world-renowned Canadian architect Arthur Erickson, the $29 million, 67,000 square foot **Mounted Police Heritage Centre** hosted its grand opening on May 23, 2007. This world-class interpretive centre will serve as a Canadian and international tourism destination. Exhibits, displays and a multi-media theatre will explore the RCMP's heritage, operations and training. The Centre anticipates an average of up to 450,000 visitors over the first three years, up from 53,000 visitors per year to the existing RCMP Centennial Museum. WD invested $18 million for the Centre through the Saskatchewan Centennial Initiative, the RCMP invested $5 million, the Province of Saskatchewan invested $3.5 million, and the Centre raised $2 million in funding.

The Centennial Initiative also supported a number of projects in Alberta that are now completed, including the **Maverick's Gallery in Calgary's Glenbow Museum**, and the **Alberta Children Hospital's Healing Gardens**. Other Centennial capital projects in progress include the **Royal Alberta Museum** and the **Alberta Gallery of Art** in Edmonton, and the expansion of **Heritage Park in Calgary**.

employment, innovation, business development, infrastructure enhancements and investment in northern communities. A $20 million commitment has been shared equally by the provincial and federal government.

An evaluation conducted in 2006-2007, concluded:

- 83 per cent of proponents reported that their projects contributed to the economic development of their northern community, referring to training that led to employment, community capacity building or spin-off benefits from road construction and high speed Internet
- Of the 19 training participants surveyed, 95 per cent completed their training, and of these, 72 per cent secured employment.
- Key stakeholders indicated that although the NDA responds well to smaller development projects, a different mechanism is needed to support projects related to developments in natural resource sectors that have large economic potential and the opportunity to partner with the private sector.
- Of the $13,592,115 in funding commitments to date, the largest percentage of the funds was applied to economic infrastructure (comprised of the Athabasca Highway Improvements and the Broad-Band Internet Project); employment readiness and training; and capacity building. The program was constrained from making significant investments in innovation and investment attraction due to a lack of project applications in these areas and restrictions on funding projects from 'for-profit' ventures.

To ensure Northern Saskatchewan received the full benefit of the committed resources, the NDA was extended to March 31, 2008. Consistent with WD's priorities, during the final year of project approvals, the program will focus on strategic investment opportunities with broad economic impacts.

Sub-Activity: Community Economic Adjustment

The third component of a sound Community Economic Development model is the mitigation of negative impacts arising from an economic crisis such as an industry closure, as exemplified by the following WD-supported projects that assisted community economic adjustment:

1. Softwood Industry Community Economic Adjustment Initiative (SICEAI)

In 2003, the federal government introduced the national Softwood Industry Community Economic Adjustment Initiative (SICEAI), under the leadership of Industry Canada. The program targeted forest-dependent communities across Canada that had suffered permanent job losses as a result of tariffs imposed by the US against imported Canadian softwood lumber. In British Columbia roughly 5,000 workers found their jobs displaced as sawmills were permanently shutdown.

Under SICEAI, WD approved a total of $50 million for 145 projects in rural British Columbia, with the following results:[12]

[12] WD delivered SICEAI in British Columbia on behalf of Industry Canada through an Other Government Department suspense account. The evaluation report is available at: http://www.ic.gc.ca/epic/site/ic1.nsf/en/h_00142e.html - Audit.

- More than 2,500 jobs created or maintained;
- Up to $145 million of total investments in local economic diversification;
- 322 businesses (including self-employed entrepreneurs) benefited;
- More than 140 communities across British Columbia benefited;
- 60 per cent of funding was committed to projects in communities hardest hit by softwood tariffs; and
- Aboriginal groups led on one-third of all projects.

A national evaluation conducted in 2006 concluded that SICEAI was "very successful in helping communities diversify their economies, in creating jobs and in increasing communities' capacity for responding to future change and the need for adjustment and diversification." The delivery mechanism was generally effective, involving local consultation and involvement; however, the following problems were identified:

- Delays in implementation due to lack of clarity regarding roles and responsibilities between federal departments;
- Eligibility criteria which excluded some affected communities from participating; and
- Program implementation that was out of synch with layoffs and, therefore, had modest success in helping displaced sawmill workers.

As a result of "lessons learned" through the delivery of SICEA, WD will be well positioned to deliver future community adjustments programs, such as the federal response to Mountain Pine Beetle, in an effective and efficient manner.

2. The Eastside Movement for Business and Economic Renewal (EMBERS)

In February 2006, WD approved $200,000 in funding for EMBERS to work with local organizations to help residents of Vancouver's Eastside launch their own businesses. Incorporated in 2001, EMBERS has a core curriculum made up of five sub-programs that provides a continuum of support to micro-businesses. This support consists of workshops and coaching for those seeking self-employment as well as for existing enterprises that may be struggling or lack specific business expertise. Training may include introductory business skills, business plan development, business loan applications, and basic office skills for those who are not eligible for training under other government programs. In 2006-2007, the micro-enterprise initiative, Build a Business Program, trained over 50 individuals in entrepreneurial development and resulted in the development or expansion of over 29 businesses.

Program Activity: Infrastructure

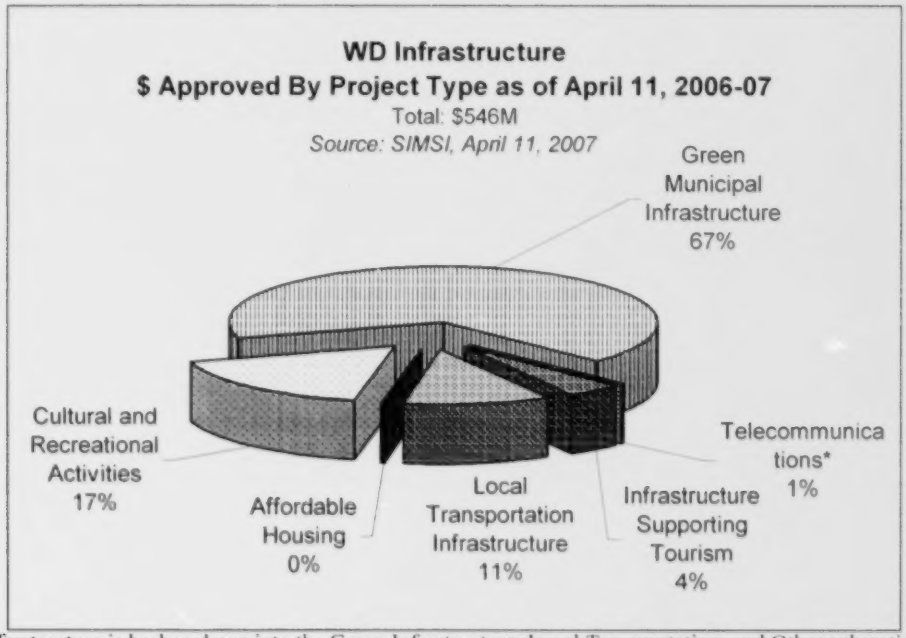
Financial Resources[13] ($ thousands)

Planned Spending	Authorities	Actual Spending[14]
91,750	99,131	86,417

Human Resources (FTEs)

Planned	Actual	Difference
16	16	0

During 2006-2007, WD continued to deliver the **Infrastructure Canada Program** (ICP) in each of the four western provinces. The ICP was created in 2000 to enhance infrastructure in Canada's urban and rural communities and to improve quality of life through investments that protect the environment and support long-term community and economic growth. As of March 31, 2007 approximately 98 per cent of the total federal funding of $545.6 million had been committed towards 1,627 infrastructure projects across the West. While all project approvals were compieted by June 2005, the program was extended until March 31, 2008 to allow for the construction of all projects to be completed.



Note: Infrastructure is broken down into the Green Infrastructure, Local Transportation, and Other sub-activities. "Other" is broken down further into: Infrastructure Supporting Tourism, Affordable Housing, Cultural and Recreational Facilities, and Telecommunications.

[13] Planned and actual spending does not include G&C resources administered by WD on behalf of Infrastructure Canada (MRIF, CSIF), who reports this amount (approx. $127.6 million in actual spending).
[14] Actual spending is lower than planned due to the transfer of contractual commitments to future years.

WD also administers the **Municipal Rural Infrastructure Fund** (MRIF) in each western province on behalf of Infrastructure Canada. MRIF, which primarily targets rural municipalities, will help contribute to a better quality of life for western Canadians by enabling communities to improve local roads, drinking water systems and other municipal infrastructure. As of March 31, 2007, the status of MRIF in each of the four western provinces was as follows:

- In Manitoba, 51 projects were approved for approximately $33 million in federal funding or 80 per cent of available MRIF funding;
- In Saskatchewan, 215 projects have been approved for approximately $37 million in federal funding or 98 per cent of available funds. In 2007, the federal government committed to provide an additional $7.5 million for Cultural and Recreational Facilities;
- In Alberta, 43 projects have been approved for more than $65 million in federal funding or approximately 74 per cent of available funding; and
- In British Columbia, the first call for projects was completed on January 31, 2007. 343 applications were received, valued at more than $339 million in federal funding. Due diligence on each of these projects is underway and successful projects are expected to be announced in the fall of 2007. WD will invest a total of $74.5 million in MRIF in British Columbia (including an incremental commitment of $23.5 million announced in 2007), which will be matched by both the province and local governments.

In addition, WD administers a number of **Canada Strategic Infrastructure Fund** (CSIF) projects on behalf of Infrastructure Canada, including Regina's Urban Revitalization projects (Wascana Lake Deepening and Exhibition Park), Saskatoon's South Downtown Redevelopment, Winnipeg's Red River Floodway Expansion and the Vancouver Convention Centre Expansion Project. Grants & Contribution funding for MRIF and CSIF is provided through Infrastructure Canada's appropriation and details on program results are found in its departmental performance report.

Program Activity Results

The objective of ICP projects has been to improve and expand sustainable public infrastructure that enhances the quality of the environment and allows for long-term economic growth. Since the inception of the ICP in 2000, the following benefits have been realized across the West:[15]

- Improved **water quality** for more than 560,000 households and improved wastewater systems for more than 116,000 households;
- Improved **solid waste management** systems in a number of western Canadian communities, resulting in over 41,000 metric tones of solid waste per year being diverted from landfills and into recycling or composting facilities;
- Improved **energy efficiency of municipal buildings** resulting in a reduction of more than 4.3 million kWh/m^3 in electricity use and 1.8 million BTU/m_3 in heating fuel use per year;

[15]As of March 31, 2007, 72 per cent of approved ICP projects were completed and had reported benefits, representing 43 per cent of approved funding. Also, the first three benefits listed arise from the Green Infrastructure sub-activity, the fourth benefit arises from the Local Transportation sub-activity, and the final benefit arises from the Other Infrastructure sub-activity.

- Safer **local roads and transportation** infrastructure as well as new or improved public transportation for more than 280 communities; and
- 228 projects to support increased **cultural and recreation facilities**, 32 **tourism** infrastructure projects, six **rural and remote telecommunications** infrastructure projects, three **affordable housing** projects resulting in the construction of 270 new units and one project increasing **high-speed Internet access** for local public institutions.

Sub-Activity: Green Infrastructure

One of the ICP's priorities is green municipal infrastructure (i.e., projects that improve the quality of the environment and contribute to national goals of clean air and clean water). Green projects have resulted in improvements to solid waste management and recycling, energy efficiency, and especially in water and wastewater systems. Western Canadians recognize the value of having reliable sources of potable water, given recent human health concerns related to contaminated water sources in North Battleford, Saskatchewan, as well as boil-water requirements in communities such as Cochrane, Alberta. Specific examples of ICP projects that have enhanced the quality of drinking water in Western Canada include:

1. Norrish Creek Water Treatment Project

In British Columbia, WD contributed $3.3 million to the Norrish Creek Water Treatment Project, which involved the design and construction of the second stage of a water-treatment plant using new water-filtration technology. The plant improvements, which were completed March 31, 2007, led to 150,000 households in the communities of Mission and Matsqui with improved potable water quality.

2. Kneehill Regional Water Line

In Alberta, WD contributed $9.5 million to the Kneehill Regional Water Line project. This project involved the construction of a 16" water pipeline to supply potable water to Acme, Carbon, Linden, Beiseker, Irricana, Kneehill County, Mountainview County and the Municipal District of Rocky View. The project, which was completed by December 31, 2005, is expected to lead to 1,600 households being connected to municipal water service.

3. Water Treatment Plant Upgrade Project - Town of Lanigan

In Saskatchewan, WD contributed $418,000 to a Water Treatment Plant Upgrade Project, in the Town of Lanigan. This involved the installation of a new clarifier, filter, ultraviolet disinfection, turbidity monitor, aerator, as well as a new fire pump. The project, which was completed in April 2006, led to 600 households with improved potable water quality and improved fire protection.

4. Ritchot Water System Project

In Manitoba, WD contributed $2 million to the Ritchot Water System Project, which addressed the "boil water advisories" issued to the communities of Ile-des-Chênes and St. Adolphe in the rural municipality of Ritchot. The project involved the construction of a rural water supply pipeline, a water distribution system within both communities and associated reservoir and pumping facilities. As a result of this project, which was completed in November 2006, 700

households received access to municipal water service and potable water output increased by 232,300 m^3/year.

Sub-Activity: Other Infrastructure

Under ICP, "Other Infrastructure" includes the following sub-categories: Infrastructure Supporting Tourism, Affordable Housing, Cultural and Recreational Facilities, and Telecommunications. Some examples of Cultural and Recreational Facilities supported under ICP and their benefits include:

1. Visitor Information Centre - Town of Golden

In British Columbia, WD contributed $663,333 to the Town of Golden's Visitor Information Centre. Funding was used to construct a 5,600 sq. ft. facility that includes informational and interpretive displays, public washrooms, a fully staffed information centre, a picnic site with children's play area, walking trails and parking space. The project, which was completed March 31, 2007, will increase tourist visits by 20,000 to 150,000 per year, resulting in a positive economic impact of $2 million per year.

2. The Esplanade Performing Arts Centre - City of Medicine Hat

In Alberta, WD contributed $1.8 million to the Esplanade Performing Arts Centre in the City of Medicine Hat, which occupies half of a new three-story, 110,000 square foot building, completed on May 31, 2006. This project created six new permanent jobs and generates 10,000 visits to the new centre per year, which contributes an estimated $1.5 million annually to the local economy.

3. Culture and Recreation Complex Project - Town of Aberdeen

In Saskatchewan, WD contributed $125,000 to the Culture and Recreation Complex Project in the Town of Aberdeen. The multi-purpose centre includes a library, playschool, skating rink, four curling sheets, bowling alley, seniors' hall, offices and classrooms. The facility, which was completed in July 2006, is accessible to 5,000 community members and created several permanent and part-time jobs.

4. True North Entertainment Centre (MTS Centre) Project – City of Winnipeg

In Manitoba, WD contributed $12.0 million to the True North Entertainment Centre (MTS Centre) Project. This project replaced the old Winnipeg Arena with an entertainment facility incorporating the most advanced design and amenity features for the presentation of sports, entertainment, performing arts and community events. The Centre, which officially opened in November 2004, brings an increase of $13.6 million in economic activity to the City of Winnipeg per year and has created 374 permanent jobs.

In conclusion, the provision of safe drinking water as well as the support of recreational, cultural, and tourism projects through joint federal-provincial municipal infrastructure programming contributes to the economic viability of communities in Western Canada and ensures a high quality of life.

POLICY, ADVOCACY AND COORDINATION

Strategic Outcome: Policies and programs that support the development of Western Canada.

WD is developing performance indicators for this Strategic Outcome, which may include:

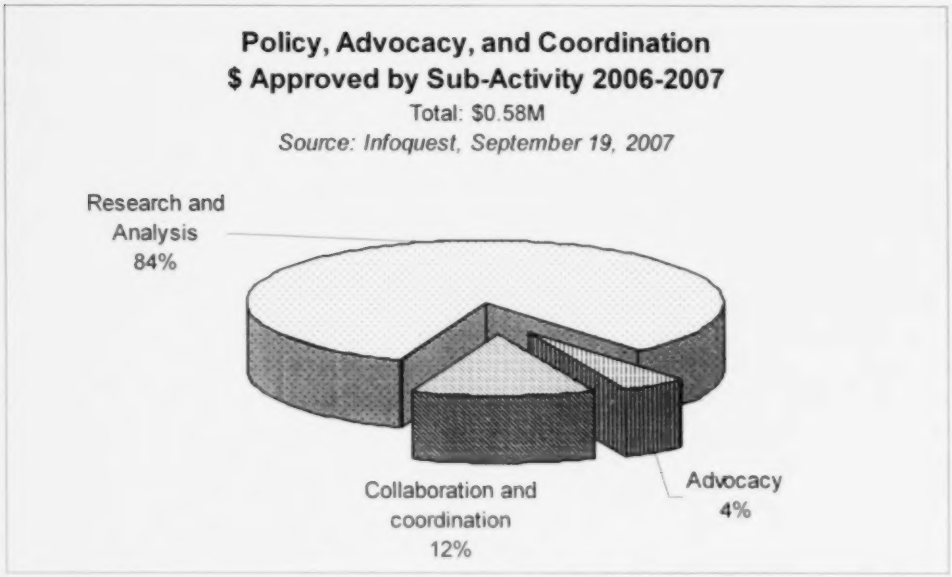
- Key informant opinion that WD activities provide policies and programs that support the development of western Canada;
- Dollar value of project funding, including both WD funds and leveraged dollars;
- Percentage of projects that successfully meet performance targets for the fiscal year.

Over the next year, the department will establish baseline measures for these or similar indicators against which progress may be gauged.

In order to meet the needs of western Canadians, WD maintains its headquarters and a substantial portion of the department's policy development capacity in Western Canada. WD also ensures that the department serves all Canadians by acting as a strong voice for Western Canada in policy discussions taking place across the country. WD's Policy, Advocacy and Coordination function includes a range of activities that result in effective strategies, policies and programs to address the economic development needs, opportunities and aspirations of Western Canada. The department acts as a champion and advocate for federal and intergovernmental collaboration to address key impediments to long-term growth and diversification and promote coordination in areas of federal or shared federal-provincial jurisdiction, such as labour shortages, border access, regulatory harmonization, inter-provincial and intergovernmental trade.

To achieve this Strategic Outcome, the department undertakes three distinct but interrelated program activities:

1. WD engages in **collaboration and coordination** activities and projects that bring people, communities, ideas and resources together. The department's efforts emphasize partnerships, collaboration and strategic investments to link western Canadians' views with national policies, priorities and programs. While similar to the department's advocacy efforts, WD's coordination and collaboration activities are distinct in that they are more broadly based and less focused on specific issues and near-term outcomes.
2. WD's collaboration and coordination activities often lead to **advocacy** work by the department that is intended to achieve a specific outcome for Western Canada. WD engages federal, provincial, industry and community partners to undertake or to influence initiatives that generate benefits for the West.
3. **Research and analysis** is often required to understand the regional development issues facing Western Canada and to guide the department's advocacy efforts. This in-depth policy and economic research and analysis is undertaken and coordinated in collaboration with other public and private stakeholders. In addition to facilitating dialogue and increasing the understanding of western Canadian challenges, opportunities and priorities, this research provides the foundation needed to develop relevant policies and programs.



Program Activity: Collaboration and Coordination

Financial Resources ($ thousands)

Planned Spending	Authorities	Actual Spending
5,242	5,740	4,645

Human Resources (FTEs)

Planned	Actual	Difference
35	35	0

WD takes a leadership and coordinating role both in identifying economic challenges and opportunities for the West and in developing a federal response either through the investment of its own resources or by collaborating with other appropriate federal departments and agencies.

Program Activity Results

With respect to project-based funding, in 2006-2007 WD approved funding for three projects totalling $71,699 to enhance the coordination of economic development activities and programs in the West. As a result of this funding investment, WD anticipates 16 improvements in geographic or target group program coverage and one coordinated service to be offered.

In addition, coordination and collaboration are core elements of most of WD's activities. In 2006-2007, WD continued to work with other federal departments on a number of key issues as well as on several ongoing issues.

Key Activities

1. Mountain Pine Beetle (MPB)

Working with its network partners and community links, WD is keenly aware of the potential impacts of the MPB infestation on the Interior Region of British Columbia and neighbouring jurisdictions. WD is providing important intelligence to inform the federal response to the MPB crisis. As part of the enhanced federal response to the MPB, Natural Resources Canada (NRCan) officials sought WD's involvement based on the department's experience in delivering broad-based community diversification programs in British Columbia (in the softwood lumber industry and the salmon fishing sector) as well as the department's expertise in administering large capital infrastructure projects. In collaboration with NRCan and Transport Canada, WD is developing a variety of options for supporting community diversification that will mitigate the impact of MPB.

2. Banff Innovation Summit

WD provided $22,000 in support to The Centre for Innovation Studies (THECIS), the University of Calgary and Calgary Technologies Inc. to partner together to host the Banff Innovation Summit in September 2006. The Summit brought industry, policy and academic stakeholders, who are engaged in economic diversification and innovation, together with a group of international experts in innovation policy and strategy. Participants considered how best to turn Western Canada into a dynamic, diversified and internationally competitive knowledge-based economy, which is supported with policies and strategies that take account of leading-edge ideas and local knowledge about how to assess and improve innovation performance.

The Summit resulted in the creation of a document called The Banff Consensus Report that presents twelve principles for integrating Western Canada into a global innovation system. (http://www.thecis.ca/). The report provides an accurate representation of innovation in Western Canada. The main themes identified in the report are well aligned with WD's focus on technology development and commercialization, specifically in the areas of:

- Increasing collaboration between industry and government;
- Creating long-term benefits through value-added production;
- Increasing pan-western and multi-regional activities; and
- Placing greater emphasis on the development side of research and development.

The summit findings were brought to a subsequent discussion in Calgary in April 2007 about how to create an innovation culture in Calgary.

3. World Urban Forum (WUF)

The WUF is an initiative of the United Nations' Human Settlements Program, which is held every two years to discuss the challenges of urbanization. For five days (June 19-23, 2006), 10,000 participants from more than 100 nations met in Vancouver to discuss, debate and share experiences about how to make our cities better places to live.

WD played a key role in securing WUF 2006 for Canada and chaired the Vancouver Working Group, which provided advice to the Government of Canada in preparation for WUF 2006. Previously, WD funded 43 WUF-related projects totalling $2.9 million, which focused on

capacity building and research in preparation for the 2006 WUF. WD used its booth in the Canada Pavilion to showcase WD-WUF related projects and invited proponents to showcase examples of successful urban sustainability initiatives.

On-going Activities

In addition, WD continued to facilitate a number of ongoing collaborations including:

1. Pacific Northwest Economic Region (PNWER)

WD works with PNWER, a regional planning and facilitation organization set up in statute by the US Pacific Northwest (Alaska, Idaho, Montana, Oregon and Washington) and Western Canada (Alberta, British Columbia and Yukon) to promote regional cooperation and enhance the region's global competitiveness, while striving to maintain or improve its environment. In May 2006, WD organized meetings in Ottawa to allow PNWER leaders to meet with a number of federal Cabinet ministers. WD's subsequent work with PNWER and Citizenship and Immigration Canada to develop a task force on labour issues in Western Canada is an example of the department's coordination activities that ensure short-term needs are addressed in a timely manner.

2. Regional Teams

The department also plays active roles in a number of ongoing teams including the Regional Trade Teams and Rural Teams. The **Regional Trade Teams** create a forum where federal and provincial departments can coordinate the planning and delivery of services to companies and communities. In Manitoba, Saskatchewan and Alberta, the Ministers of Foreign Affairs and International Trade, Agriculture and Agri-food Canada, and WD are signatories to Memorandum's of Understanding (MOUs) on cooperation for international business development between Canada and the respective province (arrangements in British Columbia are not formalized through an MOU). Under the MOUs, the governments agree to work together in the delivery of services in six main areas: general information, skills development, exports counselling, market entry support, trade finance and support for investment attraction. Regional Trade Networks in each province are also guided by the MOU and have taken significant strides to share information more strategically, to engage collectively on files of importance and to avoid gaps or duplication in the delivery of services and programs.

WD plays an on-going role on the **Regional Rural Teams** in Western Canada in facilitating dialogue among key players in rural economic development. Increasing value-added production in resource and manufacturing sectors and promoting rural diversification are central elements of WD's strategic framework, which are supported through the department's involvement in the Regional Rural Teams. In Manitoba, Alberta and British Columbia, WD co-chairs the Regional Rural Team; in Saskatchewan, the federal team chair is the Rural Secretariat.

3. Regional Federal Councils

An important element of WD's work and leadership in the area of Collaboration and Coordination is our commitment to the regional Federal Councils. In each western province, the WD Assistant Deputy Minister holds the position of Chair or Co-chair of their respective

Regional Federal Council, which was established to improve coordination and collaboration among all federal departments. The Council helps to reduce the duplication of federal efforts and expenditures; improve efficiency; improve the flow of information between departments; advance the learning of individual federal employees; and assist each federal department to achieve their respective mandates and better serve Canadians.

Program Activity: Advocacy

Financial Resources ($ thousands)

Planned Spending	Authorities	Actual Spending[16]
2,650	2,670	3,272

Human Resources (FTEs)

Planned	Actual	Difference
22	22	0

As part of WD's mandate to promote the development and diversification of the western economy and to advance the interests of Western Canada in national economic policy and programs, WD engages federal, provincial, industry and community partners to undertake or to influence initiatives that generate benefits for the West.

Program Activity Results

With respect to project-based funding, in 2006-2007 WD approved one advocacy project totalling $25,653 to improve the understanding and awareness of western issues and increase access to and participation in federal programs by the region. As a result of this funding investment, WD anticipates 120 companies will be recruited to participate in major Crown projects or other procurement opportunities.

In addition, in 2006-2007 WD focused its advocacy efforts in the following areas that were outlined in the department's Report on Plans and Priorities:

1. Trade and Investment

- WD's advocacy efforts, combined with those of Industry Canada, helped to secure a significant proportion of the available Industrial Regional Benefits for western Canadian companies from the major Crown procurement of four C-17 Strategic Airlift Aircraft from Boeing. Advocacy activity in this area also included organizing a supplier development day held in Calgary in October 2006, in collaboration with Boeing, showcasing western Canadian security, software and defence companies. WD also organized a tour for ThyssenKrupp Marine Systems of 20 companies in the British Columbia lower mainland and Vancouver Island in March 2007. The aggregate impact of these events is reported under the Business Development and Entrepreneurship program activity.

[16] The negative variance between Authorities and Actual Spending of $602,000 is covered by the surplus variance against the Research and Analysis program activity

- WD played a key role in securing $1 billion for Western Canada under the Asia Pacific Gateway and Corridor Initiative, in collaboration with Transport Canada and other federal departments. As part of this investment, WD obtained $400,000 to conduct research into the economic opportunities that may emerge from this initiative. The results of this research are reported under the Research and Analysis program activity (for example, see *Asia-Pacific Foundation of Canada Research*, below). WD will also administer funding for the $4 million Fraser River Port dredging project, which will deepen and widen shipping channels, thereby enhancing efficiency and maximizing shipping capacity for the Fraser River Port Authority. In the future, WD will report the results of the Fraser River Port project under the Business Development and Entrepreneurship program activity.

- WD continues to support the development of the Mid-Continent Corridor. Success stories include a Memorandum of Understanding signed between the Composite Innovation Centre in Manitoba and the National Composite Institute in Dayton, Ohio that has paved the way for international projects.

2. Public Policy Forum

- Awareness of the public policy impacts and the transformative potential of Alberta's energy economy was raised among senior federal officials through the Public Policy Forum's first Deputy Ministers Outreach event, held in Calgary in October 2006, in collaboration with WD and the Privy Council Office. The initiative provided an opportunity for senior federal public servants to meet with a broad spectrum of Canadian leaders and stakeholders to build networks and contacts in support of finding creative policy and program solutions to address the implications and harness the opportunities of Alberta's resource boom.

3. R&D and Technology Commercialization

- In 2006-07, WD advocated, together with the Public Health Agency of Canada, Agriculture and Agri-Food Canada and the Canadian Food Inspection Agency, for the authority to invest additional federal funds in the International Vaccine Centre (**InterVac**) at the University of Saskatchewan. An announcement of the federal intention to invest an additional $25 million in the facility was made in January 2007. When open in 2010, the facility will dramatically increase the world's capacity in research and development of vaccines. In future years, WD will report the results of this investment under the Innovation program activity.

- WD also advocated successfully for the authority to invest $15 million in **TEC Edmonton** at the University of Alberta's Enterprise Centre, which brings together services for technology entrepreneurs from all sectors. WD worked with federal central agencies to secure this investment, which was announced in January 2007. In future years, WD will also report the results of this investment under the Innovation program activity.

4. Aboriginal economic development

- WD worked with the Department of Canadian Heritage to incorporate measures to improve opportunities for Aboriginal entrepreneurs and suppliers into plans to maximize economic benefits from the 2010 Winter Olympic and Paralympic Games in Vancouver-Whistler.

- WD worked with Indian and Northern Affairs Canada to obtain policy approval for $15 million to promote regional economic development and economic infrastructure in the communities of Cole Bay, Jans Bay, Beauval and Île-à-la-Crosse, located near the Primrose Lake Air Weapons Range. This initiative was announced in January 2007. In future years, WD will report the results of this investment under the Community Planning, Development and Adjustment program activity.

WD assesses its advocacy priorities on an ongoing basis and, as needed, will update and refine its advocacy strategy to reflect these.

Program Activity: Research and Analysis

Financial Resources ($ thousands)

Planned Spending	Authorities	Actual Spending
4,144	4,269	2,758

Human Resources (FTEs)

Planned	Actual	Difference
32	32	0

Research and analysis activity enhances dialogue around and understanding of western issues, challenges, opportunities and priorities. With this enhanced knowledge and understanding, WD develops policy that improves the competitiveness of western Canada.

Program Activity Results

New Projects Initiated in 2006-2007

In 2006-2007, WD initiated a number of internal and external research projects. These projects were either pan western in nature or focused on issues relevant to individual western provinces.

With respect to external research, in 2006-2007 WD approved contributions funding for four research projects totalling $481,466. As a result of this investment of funding, WD anticipates six spokesperson/media references to the reports produced and four opinion editorials based on these reports, and that the research will influence seven program or policy decisions.

Examples of specific projects initiated in 2006-2007 include:

1. Survey on the Export Activities of Western Canadian Enterprises

WD approved $119,300 to the Western Centre for Economic Research at the University of Alberta to undertake a survey of western Canadian small- and medium-sized enterprises (SMEs) concerning their export activities. This two-year research and analysis project will result in

enhanced understanding of four key issues: perceived barriers to exporting; the marketing avenues employed in the export market by western Canadian companies; extent of western SME participation in the export supply chain; and the relation of export activity to the growth strategies of SMEs. The results of this research will be compiled in a comprehensive report and, in addition, research team members will participate in media, government and/or academic events to publicize their findings.

2. Asia Pacific Foundation Research

WD invested $139,166[17] in the Asia Pacific Foundation of Canada (APFC) to engage stakeholders across Canada in research and awareness building regarding economic development opportunities in the Asia-Pacific region. The project focused on the diverse commercial relationships across Canada that "trigger" the demand for trade, transportation, financial, cultural and electronic commerce between Canada and Asia. The study established baseline information on economic development opportunities and provided important input in development of commercial strategies for capitalizing on the Asia Pacific Gateway.

Through this project, more than 300 stakeholders from federal and provincial agencies, public and non-profit associations, private business and labour groups in Canada (especially western Canada) participated in cross-Canada Gateway forums to discuss the implications of the Asia Pacific Gateway. More than 500 participants also attended the Asia Pacific Summit in October 2006. In addition, the project resulted in four research papers and numerous media references. Finally, the project developed a unique one-stop online resource on Canada's Asia Pacific Gateway (http://www.asiapacificgateway.net/index.cfm), which brings together the latest research, statistics, events, speeches and other useful links into a single resource. In the three months of operation since its launch in March 2007, the Gateway web site has received almost 100,000 visitors who have downloaded approximately 34,000 documents. Overall, Canadians' awareness of Asia's importance to Canada (based on national opinion poll results) has increased from 51 per cent to 70 per cent, which was the level targeted by WD's project with APFC.

3. Development of Life Sciences Strategy

WD invested $38,000 towards the $120,000 AgWest Life Sciences Study to identify strategic priorities for the life sciences sector in Saskatchewan. The study, released in May 2007, articulates Saskatchewan's comparative advantage in the area of life sciences and identifies opportunities for strategic domestic and foreign investments in the province to attract new companies to Saskatchewan and build on this comparative advantage. WD, the Province of Saskatchewan and Industry Canada jointly funded the project. The Saskatchewan life sciences sector is comprised of 57 companies with over 770 employees plus several major research facilities.

[17] This represents the final amount expended; the original amount approved by WD was $220,265.

Research Initiated Prior to 2006-2007

WD has also supported research in previous years that is now providing useful insights into Western Canada:

1. Revisiting Portraits of Small Business Growth and Employment in Western Canada

"Revisiting Portraits" is the fourth in a series of reports prepared by the University of Alberta's Western Centre for Economic Research. Previous studies underlined the challenges and demands of small business. This report quantifies the impact of small business on the western Canadian economy, offering a sectoral and provincial breakdown of small business growth, with special emphasis on the high tech sector. The composition of the self-employed is also examined in terms of gender, age and education achieved. The report has been distributed widely throughout Canada to promote greater undertanding of the role of small businesses in western Canada.

2. Western Canada - Where the Spirit of Innovation Meets a World of Opportunity

WD developed a promotional brochure based on the 2006 KPMG Competitive Alternatives international business cost study that indicated that Canada is among the lowest-cost regions in which to do business. The brochure highlights these results and focuses on six economic sectors pertinent to the western economy: Aerospace; Agrifood; Biotechnology; Environmental Technology; Information and Communications Technologies; and Medical Devices. The brochure was produced in collaboration with International Trade Canada, the western provinces and Canadian consulates/ trade offices in the U.S. and has also been used to capitalize on the trade and investment potential of western Canada's science and technology capabilities.

3. Small Business Profile: A Profile of Business in British Columbia

This publication is prepared annually in collaboration with British Columbia STATS in the Ministry of Labour and Citizens' Services. The publication examines growth trends over the last decade to answer some common questions about the role of small business in BC. Key information presented include number of businesses, growth in employment, contribution to the economy, industry breakdown, impact on regional economies and the role of small business exporters.

4. Saskatchewan Chamber of Commerce

In 2005-2006, WD provided $108,000 to the Saskatchewan Chamber of Commerce Foundation to conduct socio-economic and behavioural research into drivers of the Saskatchewan economy. The Action Saskatchewan Report Card was presented to the Action Saskatchewan conference in October 2005 and assisted the Chamber in identifying its strategic priorities for the future. Since that time, the Chamber has undertaken initiatives in areas such as uranium industry development and labour market skills development in order to facilitate discussion and engagement of industry in issues of broad provincial interest.

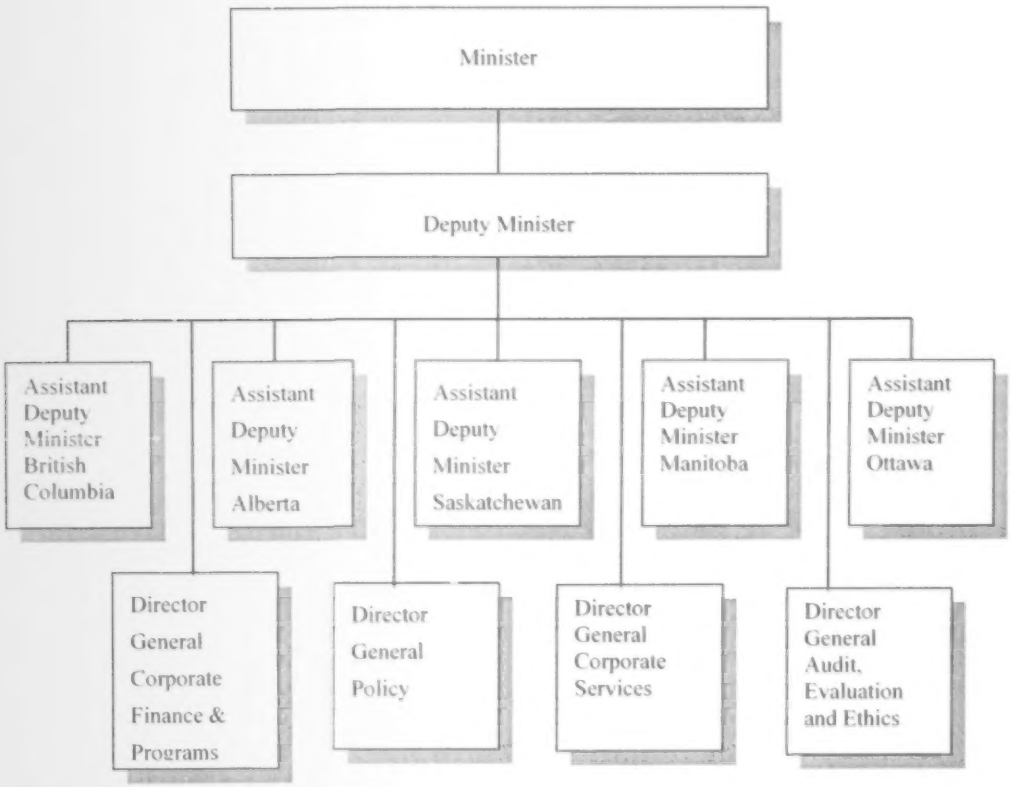
SECTION III: SUPPLEMENTARY INFORMATION

Organizational Information

WD's Head Office is located in Edmonton, Alberta, co-located with the Regional Office for Alberta. Regional offices are located in each of the other western provinces - Winnipeg, Saskatoon and Vancouver - with a liaison office in Ottawa. A regional satellite office also exists in Calgary. The department's Deputy Minister is located in Edmonton and Assistant Deputy Ministers are located in Vancouver, Edmonton, Saskatoon, Winnipeg and Ottawa.

In addition to corporate responsibilities, each of the western Assistant Deputy Ministers is accountable for the delivery of programs and services in their region, which support the department's strategic outcomes. The Ottawa-based Assistant Deputy Minister and the Director General Policy lead the department's advocacy activities. The department also works closely with Industry Canada and other Regional Development Agencies.

Western Economic Diversification Canada Organization Structure



WD's Executive Committee is composed of the Deputy Minister, five Assistant Deputy Ministers, the Director General Corporate Finance and Programs, Director General Corporate Services, Director General Policy and the Director Corporate Communications.

Table 1: Comparison of Planned to Actual Spending (including Full-time Equivalents)

($ thousands)	2004–05 Actual	2005–06 Actual	2006–07			
			Main Estimates	Planned Spending	Total Authorities	Total Actuals
Business Development and Entrepreneurship	56,379	55,018	59,954	59,611	77,779	75,181
Innovation	63,380	42,392	53,813	53,627	60,893	58,329
Community Economic Planning, Development and Adjustment	46,856	54,655	137,483	137,212	123,478	108,407*
Infrastructure	135,139	143,453	52,011	91,750	99,131	86,417**
Collaboration and Coordination	4,683	4,805	5,349	5,242	5,740	4,645
Advocacy	3,352	3,414	2,703	2,650	2,670	3,272
Research and Analysis	2,342	2,912	4,218	4,144	4,269	2,758
Total	**312,131**	**306,649**	**315,531**	**354,236**	**373,960**	**339,009**
Less: Non-respendable revenue	25,371	8,641	0	2,700	0	7,143
Plus: Cost of services received without charge	4,311	4,479	0	4,375	0	4,699
Total Departmental Spending	**291,071**	**302,487**	**315,531**	**355,911**	**373,960**	**336,565**
Full-time Equivalents	**374**	**379**	**390**	**390**	**390**	**392**

***Note:** Spending in this Program Activity area almost doubled in the last fiscal year due to the Alberta and Saskatchewan Centennials Initiative.

****Also note:** The reduction in Infrastructure spending of approximately $57 million was due to the decrease in Infrastructure Canada Program activity. (The Municipal Rural Infrastructure Fund expenditures are not reflected in WD's public accounts, as this funding is held in an Other Government Suspense Account by Infrastructure Canada.)

Table 2: Resources by Program Activity

($ thousands)

2006–2007							
Program Activity	**Budgetary**						**Total**
	Operating	**Capital**	**Grants**	**Contributions and Other Transfer Payments**	**Total: Gross Budgetary Expenditures**	**Total: Net Budgetary Expenditures**	
Business Development and Entrepreneurship							
Main Estimates	16,833	0	1,645	41,476	59,954	59,954	59,954
Planned Spending	16,490	0	1,645	41,476	59,611	59,611	59,611
Total Authorities	17,210	0	32,000	28,569	77,779	77,779	77,779
Actual Spending	14,612	0	32,000	28,568	75,181	75,181	75,181
Innovation							
Main Estimates	9,150	0	1,880	42,783	53,813	53,813	53,813
Planned Spending	8,964	0	1,880	42,783	53,627	53,627	53,627
Total Authorities	9,333	0	0	51,560	60,893	60,893	60,893
Actual Spending	6,768	0	0	51,560	58,329	58,329	58,329
Community Economic Planning, Development and Adjustment							
Main Estimates	13,277	0	30,475	93,731	137,483	137,483	137,483
Planned Spending	13,006	0	30,475	93,731	137,212	137,212	137,212
Total Authorities	13,109	0	15,000	95,369	123,478	123,478	123,478
Actual Spending	8,920	0	15,000	84,488	108,407	108,407	108,407
Infrastructure							
Main Estimates	2,011	0	0	50,000	52,011	52,011	52,011
Planned Spending	2,001	0	0	89,749	91,750	91,750	91,750
Total Authorities	2,147	0	0	96,984	99,131	99,131	99,131
Actual Spending	5,988	0	0	80,429	86,417	86,417	86,417

2006–2007							
Program Activity	**Budgetary**						**Total**
	Operating	**Capital**	**Grants**	**Contributions and Other Transfer Payments**	**Total: Gross Budgetary Expenditures**	**Total: Net Budgetary Expenditures**	
Collaboration and Coordination							
Main Estimates	5.234	0	0	115	5.349	5.349	5.349
Planned Spending	5.127	0	0	115	5.242	5.242	5.242
Total Authorities	5.667	0	0	73	5.740	5.740	5.740
Actual Spending	4.572	0	0	73	4.645	4.645	4.645
Advocacy							
Main Estimates	2.588	0	0	115	2.703	2.703	2.703
Planned Spending	2.535	0	0	115	2.650	2.650	2.650
Total Authorities	2.670	0	0	0	2.670	2.670	2.670
Actual Spending	3.272	0	0	0	3.272	3.272	3.272
Research and Analysis							
Main Estimates	3.640	0	0	578	4.218	4.218	4.218
Planned Spending	3.566	0	0	578	4.144	4.144	4.144
Total Authorities	3.797	0	0	472	4.269	4.269	4.269
Actual Spending	2.286	0	0	472	2.758	2.758	2.758

Table 3: Voted and Statutory Items

($ thousands)

Vote or Statutory Item	Truncated Vote or Statutory Wording	2006–2007			
		Main Estimates	Planned Spending	Total Authorities	Total Actuals*
01	Operating expenditures	47,217	46,173	49,009	41,494
05	Grants and contributions	262,798	302,547	320,027	292,591
(S)	Contributions to employee benefit plans	5,516	5,516	4,917	4,917
(S)	Collection Agency Fees	0	0	5	5
(S)	Spending of Proceeds from disposal of Surplus Crown Assets	0	0	2	2
	Total	**315,531**	**354,236**	**373,960**	**339,009**

***Note**: Actual spending is lower than Total Authorities, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program and the Alberta / Saskatchewan Centenaries initiative to future years.

Table 4: Services Received Without Charge

($ thousands)	2006–2007 Actual Spending
Accommodation provided by Public Works and Government Services Canada	2,319
Contributions covering the employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (excluding revolving funds); employer's contribution to employees' insured benefits plans and associated expenditures paid by the Treasury Board of Canada Secretariat	2,343
Salary and associated expenditures of legal services provided by the Department of Justice Canada	8
Workers' Compensation	29
Total 2006–2007 Services received without charge	**4,699**

Table 5: Sources of Respendable and Non-respendable Revenue

Respendable Revenue

($ thousands)	Actual 2004–05	Actual 2005–06	2006–2007			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Total Respendable Revenue	**0**	**0**	**0**	**0**	**0**	**0**

Non-respendable Revenue

($ thousands)	Actual 2004–05	Actual 2005–06	2006–2007			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Repayments of Contributions	18,462	6,513	0	2,000	0	4,885
Adjustment to previous years payables at year-end	2,664	1,953	0	500	0	2,119
Other Revenue	4,245	175	0	200	0	139
Fees paid with Access to Information Program(ATIP) requests*	0	0	0	0	0	0
Total Non-respendable Revenue	**25,371**	**8,641**	**0**	**2,700**	**0**	**7,143**

***Note**: Western Economic Diversification Canada collected $457 in fees associated with the Access to Information Program during the fiscal year 2006-2007.

Table 6: Resource Requirements by Branch or Sector

2006–2007								
Program Activity ($ thousands)	**Business Development and Entrepreneurship**	**Innovation**	**Community Economic Planning, Development and Adjustment**	**Infrastructure**	**Collaboration and Coordination**	**Advocacy**	**Research and Analysis**	**Total**
Regional Programs								
Planned Spending	50,214	50,366	129,983	0	3,378	1,728	2,847	**238,516**
Actual Spending	63,427	53,006	104,758	0	2,958	2,065	1,915	**228,130**
Corporate/ Multi-Regional Programs								
Planned Spending	9,397	3,261	7,229	0	1,864	922	1,297	**23,970**
Actual Spending	8,074	5,323	3,649	0	1,686	1,207	843	**20,783**
National Programs								
Planned Spending	0	0	0	91,750	0	0	0	**91,750**
Actual Spending	3,679	0	0	86,417	0	0	0	**90,096**

Table 6: Resource Requirements by Branch or Sector

2006–2007								
Program Activity ($ thousands)	**Business Development and Entrepreneurship**	**Innovation**	**Community Economic Planning, Development and Adjustment**	**Infrastructure**	**Collaboration and Coordination**	**Advocacy**	**Research and Analysis**	**Total**
Regional Programs								
Planned Spending	50,214	50,366	129,983	0	3,378	1,728	2,847	**238,516**
Actual Spending	63,427	53,006	104,758	0	2,958	2,065	1,915	**228,130**
Corporate/ Multi-Regional Programs								
Planned Spending	9,397	3,261	7,229	0	1,864	922	1,297	**23,970**
Actual Spending	8,074	5,323	3,649	0	1,686	1,207	843	**20,783**
National Programs								
Planned Spending	0	0	0	91,750	0	0	0	**91,750**
Actual Spending	3,679	0	0	86,417	0	0	0	**90,096**

Table 7A: User Fees Act

				2006--2007					Planning Years		
A. User Fee	**Fee Type**	**Fee-setting Authority**	**Date Last Modified**	**Forecast Revenue ($000)**	**Actual Revenue* ($000)**	**Full Cost ($000)**	**Performance Standard**	**Performance Results**	**Fiscal Year**	**Forecast Revenue ($000)**	**Estimated Full Cost ($000)**
Fees charged for the processing of access requests	*Other products and services (O)*	*Access to Information Act*	1992	$0.2	$0.5	$0.6	Response provided within 30 days following receipt of request, the response time may be extended pursuant to section 9 of the *Access to Information Act*. Notice of extension to be sent within 30 days after receipt of request	-- WD provided a final response on 14 files within 30 days of receipt of request -- Extensions for consultations were required on 15 files, all extension notices were sent within 30 days of receipt of the request -- Applications fees collected totalled $120, fees waived/returned for 1 request -- Reproduction fees collected totalled $337, fees waived totalled $146.40	2007-08 2008-09 2009-10	$0.5 $0.5 $0.5	$0.7 $0.8 $0.8
				(R) = $0.0 (O) = $0.2 Total = $0.2	(R) = $0.0 (O) = $0.5 Total = $0.5	(R) = $0.0 (O) = $0.6 Total = $0.6			Sub-Total Sub-Total Sub-Total	07/08 = $0.5 08/09 = $0.5 09/10 = $0.5 Total = $1.5	07/08 = $0.7 08/09 = $0.8 09/10 = $0.8 Total = $2.3
B. Date Last Modified - No changes / amendments occurred in fiscal year 2006-2007											
C. Other Information – N/A											

***Note**: WD only collects user fees for Access to Information Requests. The total user fees collected during the fiscal year 2006-2007 was $457.00.

Table 7-B: Policy on Service Standards for External Fees

For Table 7-B see http://www.tbs-sct.gc.ca/rma/dpr2/06-07/index_e.asp.

Table 8: Details on Transfer Payment Programs (TPPs)

During the 2006-2007 fiscal year, Western Economic Diversification managed the following transfer payment programs with expenditures in excess of $5 million:

1. Western Diversification Program;
2. Community Futures Program; and
3. Infrastructure Canada Program.

For further information on the above-mentioned transfer payment programs see http://www.tbs-sct.gc.ca/rma/dpr2/06-07/index_e.asp.

Table 9: Conditional Grants (Foundations)

Western Economic Diversification provided the following conditional grants:

1. Friends of the Canadian Museum for Human Rights Inc. ($27 million);
2. Primrose Lake Economic Development Corporation ($15 million); and
3. Prince Rupert Port Authority ($30 million).

Further information on these Foundations (conditional grants) can be found at: http://www.tbs-sct.gc.ca/rma/dpr2/06-07/index_e.asp.

Table 10: Financial Statements of Departments and Agencies (including Agents of Parliament)

For Table 10, see Annex I.

Table 11: Response to Parliamentary Committees, and Audits and Evaluations

This section includes the internal audits and program evaluation reports issued by WD.

Challenges for 2006-2007

1. Staffing of the Chief Audit Executive
2. Change in Internal Audit and Evaluation Portfolio to include Values and Ethics

Internal Audit

WD audits its programs and operations to ensure that they are in compliance with established policies, procedures and government regulations. Audit reports are issued to WD management with conclusions on performance and recommendations for improvements. Audits provide assurances and conclusions based upon professional standards of evidence, analysis and reporting.

Evaluation and Impact Assessments

WD also conducts assessments of the relevance, success and cost-effectiveness of its programs and initiatives. These evaluation reports provide WD management with relevant, timely and objective information to guide decision-making. Evaluation and impact assessment reporting is critical to help demonstrate the results achieved from departmental programs and initiatives.

Response to Parliamentary Committees
None – There were no recommendations during 2006-2007 from Parliamentary Committees.

Response to the Auditor General of Canada, including to the Commissioner of the Environment and Sustainable Development (CESD)
Sustainable Development Strategies (SDS) - (Chapter 4): WD made satisfactory progress towards meeting SDS commitments. http://www.oag-bvg.gc.ca/domino/reports.nsf/html/c20060904ce.html
SDS (IV) - Commitment Progress Monitoring Questionnaire – Annual

External Audits (Note: These refer to other external audits conducted by the Public Service Commission of Canada or the Office of the Commissioner of Official Languages.)
Audit on Services to the Public in Both Official Languages provided by offices in Alberta was done in December 2006. The results have not been released yet.

Internal Audits or Evaluations

The following audits and evaluations were completed during 2006-2007. Reports (when finalized, approved and translated) are posted on WD's website: http://www.wd.gc.ca/rpts/audit/default_e.asp

Audits completed during 2006-2007:

- Audit of the Infrastructure Canada Program;
- Administration of Grants & Contributions Audit (ongoing);
- Audit of Managemen of Information.

Evaluations completed during 2006-2007:

- Canada-Saskatchewan Northern Development Agreement

Impact Assessments completed during 2006-2007:

- Impact Assessment of Aboriginal Projects;
- Impact Assessment of Life Sciences Projects (WIP).

Horizontal Evaluations competed during 2006-2007

- National Evaluation of The Softwood Industry and Community Economic Adjustment Initiative (SICEAI), led by Industry Canada;
- World Urban Forum (WUF) Evaluation, led by Service Canada.

Consultations:

- Development of WDs Corporate Risk Profile.

Table 12: Sustainable Development Strategy

Department	
Points to Address	**Departmental Input**
1. What are the key goals, objectives and/or long-term targets of the SDS?	WD's fourth sustainable development strategy (SDS IV) defines the department's sustainable development (SD) vision as follows: WD is building a more sustainable Western Canada by making strategic investments and providing its employees and partners with practical tools to integrate sustainable development into WD's core areas of business. The strategy identifies three strategic outcomes to move towards this vision for sustainable development: 1. **Innovation towards sustainable development** - WD investments will facilitate the development, commercialization, adoption and adaptation of new environmental technologies and processes within Western Canada. 2. **Greening of WD operations** - WD corporate culture will reflect WD's principles of sustainable development. 3. **External greening** - WD will facilitate greater awareness of Government of Canada SD concepts and opportunities among WD partners and western Canadian business. Additional information about key activities, commitments and the performance measurement strategy can be found on the department's website at http://www.wd.gc.ca/rpts/strategies/sd/default_e.asp.
2. How do your key goals, objectives and/or long-term targets help achieve your department's strategic outcomes?	WD's program activities are concentrated in three distinct but interrelated areas leading to the following departmental strategic outcomes: 1. Entrepreneurship and Innovation; 2. Community Economic Development; and 3. Policy, Advocacy and Coordination. SDS IV contributes to elements of each departmental strategic outcome; however, activities in support of the SD strategic outcome "innovation towards sustainable development" are particularly relevant to the department's activities related to Entrepreneurship and Innovation.
3. What were your targets for the reporting period?	WD's SDS III outlines targets for fiscal years 2004-2005 through 2006-2007. Specific annual targets are not identified for each fiscal year.
4. What is your progress to date?	In 2006-2007 WD invested approximately $17 million in projects that will contribute to the achievement of outcomes as identified in SDS III. The department also continued to improve systems to identify and track SD projects. These activities have been key to ensuring that officers are able to identify, support and report on SD related projects. In addition, WD undertook an assessment of SDS III and a case study analysis of projects that supported SD objectives. Specific achievements against SDS III targets are posted annually on the department's website. For a detailed report on key outcomes from 2006-2007 please refer to the annual update at: http://www.wd.gc.ca/rpts/strategies/sd/2003/update_e.asp.

Department	
Points to Address	**Departmental Input**
5. What adjustments have you made, if any?	SDS IV responds to the advice of the Commissioner of the Environment and Sustainable Development (CESD) and the findings of a third-party assessment of SDS III. SDS III met 8 out of 10 of CESD's expectations; in the 2 remaining areas ("Goals and objectives" and "linking [of] goals and objectives with targets and actions") weaknesses have been addressed in SDS IV. CESD also recommended that WD improve its project tracking methods to facilitate better identification of SD projects. WD has addressed this concern by refining the department's project assessment tool. CESD also noted that dollars invested and leveraged are not the best SD performance indicators. WD continues to use these measures in SDS IV as they are important metrics of the department's activities in support of SD; however, WD is exploring the use of other performance indicators. The third party assessment of SDS III recommended changes to address three key issues: 1. the complex structure of SDS III; 2. the need for clarity about the role of SD within WD; and 3. the level of management focus on and attention to SD within WD. These recommendations reflected many of the general concerns expressed by the CESD with regard to government-wide SD strategies. SDS IV responds to these concerns and recommendations, in the following ways: • It is less complex than SDS III, identifying three SD strategic outcomes with clear commitments for each; • It clearly identifies the links between the strategy and the department's day-to-day activities to make the SDS IV more meaningful and relevant to department staff; and • The action plan developed to support SDS IV also emphasizes strong management systems.

Table 13: Procurement and Contracting

For Table 13 see http://www.tbs-sct.gc.ca/rma/dpr2/06-07/index_e.asp.

Table 14: Client-Centred Service

WD made the following progress with respect to client-centred service in 2006-2007:

1. The Canada Business Service Centres achieved an overall client satisfaction rating of 83 per cent in 2006-2007.
2. WD will conduct a client satisfaction survey during 2007-2008 and will act upon the results. WD is also developing service standards for project funding requests with respect to timeliness, access and accuracy.
3. The results of the 2007-2008 client satisfaction survey will be communicated to clients. In addition, once WD establishes service standards for project funding requests, these will be posted to the department's public web site.

Further information on WD's client-centred service may be found at http://www.tbs-sct.gc.ca/rma/dpr2/06-07/index_e.asp.

Table 15: Horizontal Initiatives

During the 2006-2007 fiscal year, Western Economic Diversification was involved in the following horizontal initiatives as either the lead or as a partner:

Lead

1. Western Economic Partnership Agreements (WEPA)

Partner

2. Infrastructure Canada Program – Infrastructure Canada (lead)
3. Canada Strategic Infrastructure Fund – Infrastructure Canada (lead)
4. Municipal Rural Infrastructure Fund – Infrastructure Canada (lead)
5. U.S. Enhanced Representation Initiative (ERI) – Foreign Affairs &
6. International Trade Canada (lead)

For further information on WEPA see http://www.tbs-sct.gc.ca/rma/dpr2/06-07/index_e.asp. For further information on all the above horizontal initiatives, including those in which WD is a partner, see the relevant Program Activity area in Section II of the Departmental Performance Report.

Table 16: Travel Policies

Western Economic Diversification Canada conforms to all Treasury Board Secretariat travel policy parameters.

Table 17: 2006-2007 G&C Expenditures by Sub-program

($ 000s)	Collaboration and Coordination	Research and Analysis	Advocacy	Community Economic Planning, Development and Adjustment	Infrastructure	Business Development and Entrepreneurship	Innovation	TOTAL
Western Diversification Program								
Alberta / Saskatchewan Centenaries	0	0		39,769	0	0	0	39,769
Canada Foundation for Innovation Support	0	0		0	0		96	96
Canada/Saskatchewan Northern Development Agreement	0	0		1,412	0		26	1,438
Conference Support	25	0		143	0	260	91	519
Entrepreneurs with Disabilities Program	0	0		0	0	733	0	733
Export Readiness (ITPP)	0	0		0	0	50		50
First Jobs in S&T Program	0	0		0	0	17	147	164
Francophone Economic Development Organization	0	0		1,346	0	1,131	0	2,477
Fraser River Port Authority	0	0		0	0	2,000	0	2,000
Official Languages Minority Communities - Internships	0	0		81	0	0	0	81
Official Languages Minority Communities - Pilot Projects	0	0		1,093	0	0	0	1,093
Primrose Lake Air Weapons Range	0	0		15,000	0	0	0	15,000
Prince Rupert Port Authority	0	0		0	0	30,000	0	30,000
Urban Aboriginal Strategy	0	0		85	0			85
Urban Development Agreements	0	0		1,467	0	0	982	2,449
Western Diversification Program	48	444		11,391	0	3,828	41,465	57,176
Western Economic Partnership Agreement	0	28		14,357	0	2,566	8,753	25,704
Women's Enterprise Centres	0	0		0	0	3,891		3,891

($ 000s)	Collaboration and Coordination	Research and Analysis	Advocacy	Community Economic Planning, Development and Adjustment	Infrastructure	Business Development and Entrepreneurship	Innovation	TOTAL
TOTAL Western Diversification Program	73	472	0	86,144	0	44,476	51,560	182,725
TOTAL Loan Investment Program	0	0	0	0	0	2,465	0	2,465
Services Delivery Network Program								
Community Economic Development Internship Program	0	0	0	0	0	150	0	150
Service Delivery Network	0	0	0	220	0	36	0	256
TOTAL Service Delivery Network Program	0	0	0	220	0	186	0	406
TOTAL Community Futures Program	0	0	0	12,950	0	13,442	0	26,392
TOTAL Infrastructure Canada Program	0	0	0	0	80,429	0	0	80,429
TOTAL Other	0	0	0	174	0	0	0	174
TOTAL EXPENDITURES	73	472	0	99,488	80,429	60,569	51,560	292,591

SECTION IV: OTHER ITEMS OF INTEREST

Official Languages

Western Economic Diversification Canada (WD) is committed to the objectives of Canada's Official Languages Act (OLA) to enhance the vitality and support the development of the English and French linguistic minority communities, and foster the full recognition and use of both English and French in Canadian Society

WD's current Action Plan for the Implementation of Section 41 of the OLA (http://www.wd.gc.ca/rpts/strategies/ola/default_e.asp) is a multi-year plan, covering the period April 2004 to March 2008. Through a number of formal and informal consultations at regional and pan-western levels, including participation in national consultations with the Official Language Minority Communities (OLMCs), the academic fields, associations and community stakeholder groups, WD has committed to:

- Build partnerships to address priorities identified by the OLMC;
- Provide support to Francophone Economic Development Organizations (FEDOs); and
- Provide support to projects with OLMCs.

Partnerships

Interdepartmental Partnership with the Official Languages Communities (IPOLC)

WD partners with Canadian Heritage (PCH) for the IPOLC. The IPOLC Memorandum of Understanding is intended to encourage new partnerships in the Official Language Minority Community and seek out projects resulting in long-term sustainable community and economic advancements.

In Manitoba, through WD and PCH funding, the Conseil de développement économique des municipalités bilingues du Manitoba (CDEM) has developed a project involving advancing economic development in Rural Manitoba; assisting and encouraging youth in the bilingual municipalities of Manitoba to develop an entrepreneurial spirit; and building on the International trade links already established to fuel entrepreneurial immigration from France and Belgium along with investments in the Franco-Manitoban economy, both urban and rural.

In Port Coquitlam, British Columbia, WD and PCH have contributed to the Maillardville Revitalization Project. Aimed at revitalizing the commercial and Francophone heritage district of Maillardville in tandem with an Official City Plan review of Maillardville, this project aims to fully prepare the Municipality of Coquitlam for 2010 Olympic and Paralympic Winter Games economic opportunities, such as tourism and business attraction.

Government of Canada Action Plan

Through the Government of Canada Action Plan on Official Languages, WD and Industry Canada pool their expertise through an MOU to implement a series of tele-education and tele-learning pilot projects and youth internships in the West. The distance learning pilot projects serve to expand French course content and on-line applications, while the internships serve to establish opportunities for youth to develop skills and labour capacity in their province of

residence, as well as to enhance their skills in the minority official language. Under this MOU, resources were made available for a five-year period ending March 31, 2008.

In 2006-2007, WD assisted Francophone organizations across Western Canada in hiring six interns for lengths of time ranging from two to twelve months.

Four major pilot projects in distance tele-education and tele-learning were funded at College Educacentre in British Columbia, Campus St. Jean in Alberta, Le Service fransaskois de formation aux adultes Inc. in Saskatchewan and the College Universitaire de Saint-Boniface in Manitoba. These projects ensure that French speaking people have access to post-secondary education in French regardless of where they are located and cover course and program development, on-line services, e-services (e.g., career counselling, student loans, resources centre), on-line communication tools and training for instructors and staff.

Francophone Economic Development Organizations (FEDOs)

WD continues to provide operating funding to the four FEDOs in order to ensure a high quality range of services to Francophone entrepreneurs and small businesses. This partnership, under the broader umbrella of the Western Canada Business Service Network, continues to be recognized by the Commissioner of Official Languages as a best practice in identifying and meeting the needs of Francophone entrepreneurs and communities across Western Canada.

Project Funding and Support

WD continues to support projects that address economic development issues of OLMCs in each western Canadian region. For example, the Corridor Touristique Francophone de l'Ouest (CTFO) is a pan western FEDO initiative that promotes Francophone tourism in Western Canada. This project promotes attractions, small- and medium-sized enterprises, and the uniqueness of the four western provinces as a tourism destination for Francophones. The targets of the CTFO Action Plan for 2005-2007 have been achieved and discussions are ongoing regarding the renewal of this initiative, within the context of opportunities arising for the 2010 Olympic and Paralympic Winter Games.

Management Priorities

Integration of Human Resources Planning within the Business Planning Process

WD's Manitoba Region was the pilot region for integrating its human resources (HR) plan with the regional business plan in 2005-2006 and has built on this experience by implementing a succession planning initiative in 2006-2007. All other regions and corporate branches are working towards integrating HR and business plans based on lessons learned from Manitoba's experience. WD regions and corporate branches report on progress at mid-year and year-end with regard to key deliverables, outputs and outcomes identified in business plans. This same reporting process will apply to HR plans.

Learning Initiative Results

WD developed a Learning Strategy in 2006-2007 that has formed the basis of the department's learning plan for 2007-2008. WD also signed a MOU with Canada School of Public Service in October 2006 that established an ongoing relationship between WD and the Canada School of the Public Service. Through this unique partnership, WD will enhance its ability to meet the requirements of the new Learning, Training and Development Policy and to demonstrate leadership and "best practices" in the delivery of continuous learning.

With respect to HR Modernization, the following progress was made in 2006-2007:

- 23 employees completed orientation training;
- 96 per cent of WD executives and managers completed authority delegation training by the December 31, 2006 deadline and 98 per cent by March 31, 2007; and
- Employees have been identified and registered on functional specialist training for Information Management and Procurement, Material Management, and Real Property. 100 per cent of IM training has been completed and 66 per cent of Procurement, Material Management and Real Property training has also been completed.

Increasing Accountability and Performance Reporting

WD has developed a web-based information management system complete with working tools for officers handling the full life cycle of Grants and Contributions projects. The system is called Project Gateway and has been tailored to WD's programs through in-house development. Project Gateway provides the mechanism for consistent assessment of client proposals, risk analysis, the automatic generation of approval forms for sign off by the delegated authority and the automatic generation of WD's standard Contribution Agreement. Though this system WD has improved its internal controls, efficiency, transparency and accountability. The resulting database of project information is readily available across the department for reference and reporting purposes.

Development of Project Gateway during the last fiscal year has produced a performance-reporting module. This section provides the tools to capture project results against performance indicators established for each project at the time of assessment. Standard performance indicators align with WD's Program Activity Architecture and the results captured can be readily analyzed, compiled and reported. Through this new module WD has demonstrated a commitment to accountability through an enhanced focus on project results and a mechanism to facilitate informed decision making in the future.

WD also continues to work with members of the Western Canada Business Service Network to strengthen their accountability, clarify performance expectations, and encourage greater collaboration among various members to improve services provided to businesses and communities.

Project Officer Training to Improve Due Diligence

A pan-western team developed and coordinated project development and assessment training in each of the four regions. The purpose of the officer training sessions was twofold: 1) to educate,

reaffirm and refresh the work of managers and officers related to project development and assessment; and 2) to establish and maintain a consistent level of due diligence across the department. Planning for the officer training began in June 2005, and training sessions occurred in each region throughout the months of April and May 2006; at least one session will be offered each year.

Progress in Implementation of Management Accountability Framework (MAF)

WD places the advancement of its implementation of the Management Accountability Framework (MAF) as a high priority. Building on strengths noted in past MAF Assessments, the department continues to address all ten essential elements of the MAF and, within that context, has placed particular emphasis on Internal Audit, Evaluation, Values and Ethics.

The department has created and staffed the position of Director General, Audit, Evaluation and Ethics, a position intended to reflect the department's requirement for greater emphasis on accountability, transparency and ethical behaviour. In addition, WD has formed a Management Accountability Committee (MAC), a committee of senior departmental officials with a mandate to develop and implement a WD management accountability action plan.

Integrated Risk Management (IRM)

The IRM Steering Committee is responsible for: ensuring the effectiveness of corporate risk management by maintaining organizational focus; introducing senior executive accountabilities; supervising the development of risk mitigation strategies for key program and corporate risks; and participating in the preparation and execution of business continuity plans. RBAF's are currently in place for all programs with audit and monitoring work driven by the program risk assessment.

In 2006-2007, the IRM Steering Committee successfully implemented a number of initiatives including:

- Completion of a Department Corporate Risk Profile and Strategic Risk Assessment;
- Introduction of integrated risk management statements in key department documents such as the corporate and regional business plans, Report on Plans and Priorities, Departmental Performance Report, Operating Framework, Grants & Contributions Framework, and the Other Government Departments Framework;
- Development of WD Business Continuity Plan; and
- Development of systemic and responsive risk mitigation tools and strategies for key program and corporate risks.

ANNEX I: FINANCIAL STATEMENTS

Western Economic Diversification Canada

Diversification de l'économie de l'Ouest Canada

WESTERN ECONOMIC DIVERSIFICATION CANADA FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED MARCH 31, 2007

Western Economic Diversification Canada

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007, and all information contained in this report rests with Western Economic Diversification Canada (WD) management. These financial statements have been prepared by management in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgement and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provide a centralized record of the Department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the WD's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act* are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Department.

Management is supported by the Departmental Audit and Evaluation Committee. This Committee approves the departmental audit and evaluation plan and oversees the internal audit and evaluation activities in the Department. It also reviews the results of audits and evaluations as well as management responses and action plans developed to address audit or evaluation recommendations.

The financial statements of Western Economic Diversification Canada have not been audited.

Oryssia J. Lennie
Deputy Minister

Jim Saunderson
Senior Financial Officer

Edmonton, Alberta
Canada

August 1, 2007
Date

1/August/07
Date

Western Economic Diversification Canada
Statement of Operations (unaudited)
For the Year Ended March 31, 2007
(in thousands of dollars)

	2007	2006
Transfer Payments		
Policy, Advocacy and Coordination	$ 545	596
Community Economic Development	177,179	186,402
Entrepreneurship and Innovation	115,041	85,100
Total Transfer Payments	**292,765**	**272,098**
Operating Expenses (note 4)		
Policy, Advocacy and Coordination	11,523	13,363
Community Economic Development	15,143	17,561
Entrepreneurship and Innovation	24,320	28,205
Total Operating Expenses	**50,986**	**59,129**
Total Expenses	**343,751**	**331,227**
Revenues (note 5)		
Policy, Advocacy and Coordination	-	-
Community Economic Development	725	460
Entrepreneurship and Innovation	4,047	2,329
Total Revenues	**4,772**	**2,789**
Net Cost of Operations	**$ 338,979**	**328,438**

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada
Statement of Financial Position (unaudited)
At March 31, 2007
(in thousands of dollars)

	2007	2006
Assets		
Financial Assets		
Receivables		
-Other Government Departments	$ 706	48
-External Parties (note 6)	2,281	3,340
Repayable Contributions (note 7)	9,755	11,168
Total Financial Assets	12,742	14,556
Non Financial Assets		
Prepayments (note 8)	10,959	11,245
Tangible Capital Assets (note 9)	1,170	475
Total Non-Financial Assets	12,129	11,720
Total Assets	**$ 24,871**	**26,276**
Liabilities		
Accounts Payable and Accrued Liabilities		
-Other Government Departments	$ 1,064	524
-External Parties (note 10)	99,334	68,021
Vacation pay and compensatory leave	1,589	1,537
Employee severance benefits (note 11-b)	6,594	5,874
Total Liabilities	108,581	75,956
Equity of Canada	(83,710)	(49,680)
Total Liabilities and Equity of Canada	**$ 24,871**	**26,276**

Commitments (Note 12)

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada

Statement of Equity of Canada (unaudited)

At March 31, 2007

(in thousands of dollars)

	2007	2006
Equity of Canada, beginning of year	$ (49,680)	(28,834)
Net cost of operations	(338,979)	(328,438)
Current year appropriations used (note 3-b)	339,009	306,649
Revenue not available for respending	(5,255)	(3,449)
Change in net position in the Consolidated Revenue Fund (note 3-c)	(33,504)	(87)
Services provided without charge by other government departments (note 13-a)	4,699	4,479
Equity of Canada, end of year	**$ (83,710)**	**$ (49,680)**

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada
Statement of Cash Flow (unaudited)
For the Year Ended March 31, 2007
(in thousands of dollars)

	2007	2006
Operating transactions		
Net cost of operations	$ 338,979	328,438
Non-Cash Items:		
Amortization of tangible capital assets	(142)	(148)
Loss on disposal of tangible capital assets	(13)	-
Services provided without charge by other government departments (note 13 (a))	(4,699)	(4,479)
Variations in Statement of Financial Position:		
Increase (decrease) in receivables	(401)	(1,713)
Increase (decrease) in repayable contributions	(1,413)	(8,773)
Increase (decrease) in prepayments	(286)	(15,533)
Decrease (increase) in accounts payable and accrued liabilities	(31,853)	6,198
Decrease (increase) in vacation pay	(52)	(221)
Decrease (increase) in employee severance benefits	(720)	(892)
Cash used by operating activities	299,400	302,877
Capital investment activities		
Acquisitions of tangible capital assets (Note 9)	850	236
Cash used by capital investment activities	850	236
Financing Activities		
Net Cash Provided by Government of Canada	**$ (300,250)**	**(303,113)**

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada

Notes to the Financial Statements (Unaudited)

For the Year Ended March 31, 2007

1. Authority and Objectives

Western Economic Diversification Canada (WD), a department of the Government of Canada operates under the authority of the *Western Economic Diversification Act* of 1988 that works to strengthen Western Canada's economy and advance its interests in national economic policy.

Through the *Act*, WD is mandated to:

- promote the development and diversification of the western Canadian economy;
- coordinate federal economic activities in the West; and
- reflect western Canadian interests in the formation of national economic policy.

Working in partnership with provincial and municipal governments, as well as other organizations, WD's programs and initiatives contribute to the Government of Canada's agenda for building a 21st Century economy in the West.

WD's headquarters and Deputy Minister are located in Edmonton, Alberta. In close cooperation with western stakeholders, WD's objective is to more effectively guide federal government policies, regulations and resources so that they become more constructive instruments of western economic growth and diversification. WD's efforts are concentrated in three distinct but interrelated areas leading to the following strategic outcomes:

- policies and programs that support the development of Western Canada (Policy, Advocacy & Coordination);
- economically viable communities in Western Canada with a high quality of life (Community Economic Development *); and
- a competitive and expanded business sector in Western Canada and a strengthened western Canadian innovation system (Entrepreneurship and Innovation).

As part of WD's mandate to co-ordinate federal economic activities in the West, WD implements some programs on behalf of other federal departments and agencies. These programs are implemented under Memoranda of Understanding where the other federal department provides the authorities and funding from Parliament. Related costs are reported in the accounts of other federal departments, they are not reflected as expenses in these Financial Statements.

*Reported in 2005/06 financial statements under the heading of Sustainable Communities.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – WD is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to WD do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two basis of reporting.

(b) Net Cash Provided by Government – WD operates within the Consolidated Revenue Fund (CRF). The Receiver General for Canada administers the CRF. All cash received by WD is deposited to the CRF and all cash disbursements made by WD are paid from the CRF. Net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the CRF is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non-respendable revenues recorded by WD. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues

I. Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
II. Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
    - Sources of revenues include:
        - Interest charges on repayment of contributions.

(e) Expenses are recorded on the accrual basis:

I. Transfer Payments:
    - Grants are recognized in the year in which the conditions for payment are met.
    - Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
II. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
III. Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, workers' compensation and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

I. Pension benefits: Eligible employees participate in the Public Service Pension Plan (*The Public Service Superannuation Act*), a multi-employer plan administered by the Government

of Canada. WD's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligations to the plan. Current legislation does not require WD to make contributions for any actuarial deficiencies of the plan.

II. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.

(g) Accounts receivables and advances. These are stated at amounts expected to be ultimately realized; a provision is made for receivable where recovery is considered uncertain.

(h) Loss Support Contributions and Investment Program - are agreements with financial institutions whereby the financial institutions authorize and issue loans using their own capital, and WD contributes to a loss support contribution, equal to between 10 and 20% of the value of the loans issued. These reserves may be used to offset a portion (up to 80%) of net losses on defaulted loans, but may not exceed WD's total contribution.

(i) Transfer Payments are payments that are made on the basis of an appropriation for which no goods or services are directly received (but may require the recipient to provide a report or other information subsequent to receiving payments). WD administers two types of transfer payments:

- Grants: transfer payments made to an individual or organization that is not subject to being accounted for or audited, but for which eligibility and entitlement may be verified or the recipient may need to meet pre-conditions.
- Contributions: conditional transfer payments made to an individual or organization for a specified purpose pursuant to a contribution agreement that is subject to being accounted for and audited.

Within the Contributions category, WD is authorized to make both non-repayable and repayable contributions. Repayable contributions are contributions whereby the recipient is expected to repay the amount advanced. Depending on their nature, they are classified as either unconditionally repayable or conditionally repayable and are accounted for differently. Normally, these contributions are provided at no interest.

I. Unconditionally repayable contributions are contributions that must be repaid without qualification. Due to their concessionary nature, they are recorded on the Statement of Financial Position as loans at their estimated present value. A portion of the unamortized discount is brought into income each year to reflect the change in the present value of the contributions outstanding. Appropriate allowances for uncollectible amounts are also established based on an individual appraisal of accounts. Interest revenue on outstanding receivables is recognized in the year that they are earned.

II. Conditionally repayable contributions are contributions that all or part of which becomes repayable if conditions specified in the contribution agreement come into effect. Accordingly, they are not recorded on the Statement of Financial Position until such time as the conditions specified in the agreement are satisfied at which time they are then recorded as a receivable and a reduction in transfer payment expenses. Appropriate allowances for uncollectible amounts are also established based on an individual appraisal of accounts.

Prior to 1995 repayable contributions were regularly used to assist in the delivery of WD's mandate. Since 1995 they have only been used in limited circumstances. However, these repayable contributions will continue to be recorded on the financial statement and will

continue to be until they are repaid or all reasonable attempts to collect have been taken and the accounts written-off.

III. Non-Repayable contributions are contributions that are not repayable unless default conditions in the agreement are exercised.

(j) Prepayments – WD follows the Treasury Board Transfer Payment Policy, Article 7.6 Cash Management Policy: Instalments of Grants and Advance Payments of Contribution, Section 3 – advance payments are only provided or limited to the immediate cash requirement based on a monthly cash flow forecast from the recipient. Prior to fiscal year 2005-2006 all prepayments were recorded as accounts receivables. Effective April 1, 2005, WD changed its accounting policy for recording these transactions as expenses. For prepayments, the reporting back by a recipient on the use of funds is an administrative requirement and not a determining factor in the recognition of the payment as an expense. Only the portion of a prepayment given to a recipient that is intended to cover expenses to be incurred in a subsequent fiscal year is recorded as an account receivable.

(k) Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future event(s) occurs or fails to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingent liability is disclosed in the notes to the financial statements. WD has no contingent liabilities at this time.

(l) Tangible capital assets (note 9) – All tangible assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. WD does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	**Sub-asset class**	**Amortization period**
Machinery and equipment	Computer equipment	3 years
	Computer software	3 - 7 years
	Other equipment	10 years
Vehicles		5 years
Leasehold improvements		Term of the lease

The amortization period for computer software has been modified this fiscal year to reflect a change in the accounting treatment for the purchase of "off the shelf "software (amortized over 3 years) and in-house developed software (amortized up to 7 years).

(m) Measurement uncertainty – The preparation of these financial statements in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits, the useful life of tangible capital assets and unamortized discount related to unconditionally repayable contributions. Actual results could differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

WD receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, WD has different net cost of operations for the year on a government-funding basis than on an accrual accounting basis. The differences between net cost of operations and appropriations are reconciled in the following tables.

(a) Reconciliation of net cost of operations to current year appropriations used:

	2007	2006
	(in thousands of dollars)	
Net cost of operations	**$ 338,979**	**328,438**
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(142)	(148)
Services provided without charge by other government departments - note 13(a)	(4,699)	(4,479)
Revenue not available for spending	5,255	3,449
Refund of prior year expenditures	1,835	1,953
Loss on transfer of capital assets	(13)	-
Decrease (increase) in vacation and compensatory leave	(52)	(221)
Decrease (increase) in employee severance benefits	(720)	(892)
Other	(1,998)	(6,154)
	(534)	(6,492)
Adjustments for items not affecting net cost of operations, but affecting appropriations:		
Add (less):		
Acquisitions of tangible capital assets	850	236
Decrease (increase) in prepayments	(286)	(15,533)
	564	(15,297)
Current year appropriations used	**$ 339,009**	**$ 306,649**

(b) Appropriations provided and used:

		2007	2006
		(in thousands of dollars)	
Vote 1 - Operations	$	49,009	43,983
Vote 5 - Transfer Payments		320,027	348,971
Statutory amounts		4,924	5,528
Total Appropriations		**373,960**	**398,482**
Less:			
Appropriations available for future years		-	(2)
Lapsed / Unused appropriations: - Operating Expenditures incl EBP		(7,515)	(1,083)
- Transfer Payments		(27,436)	(90,748)
		(34,951)	(91,833)
Total Appropriations Used	**$**	**339,009**	**306,649**

(c) Reconciliation of net cash provided by Government of Canada to current year appropriations used:

		2007		2006
		(in thousands of dollars)		
Net Cash provided by government	**$**	**300,250**	**$**	**303,113**
Revenue not available for respending		5,255		3,449
Refund of prior years expenditures		1,835		1,953
Change in net position in the Consolidated Revenue Fund:				
Increase (decrease) in accounts receivable		401		1,713
Increase (decrease) in repayable contributions		1,413		8,773
Increase (decrease) in accounts payable and accrued liabilities		31,853		(6,198)
Other adjustments		(1,998)		(6,154)
Total Change in net position		33,504		87
Current year appropriations used	**$**	**339,009**	**$**	**306,649**

4. Expenses

The following table presents details of expenses by category:

	2007	2006
	(in thousands of dollars)	
Transfer Payments		
Transfer Payments	$ 292,765	272,098
Total Transfer Payments	**292,765**	**272,098**
Operating Expenses		
Salaries	29,003	30,054
Employee benefits	7,982	8,787
Professional and special services	5,578	6,345
Transportation & Communications	3,150	3,435
Accommodation	2,319	2,020
Repairs, utilities, materials and supplies	1,097	605
Rentals	775	827
Acquisition of machinery and equipment	741	659
Information	445	868
Amortization of tangible capital assets	142	148
Other	(36)	170
Bad Debts (adjustments) [1]	(210)	5,211
Total Operating Expenses	**$ 50,986**	**59,129**

[1] The adjustment of 210k is attributed to a reduction to the Allowance for Doubtful Accounts under repayable contributions.

5. Revenues

The following table presents details of revenues by category:

	2007	2006
	(in thousands of dollars)	
Compensatory Repayments	3,114	-
Revenues from Conditionally repayable contributions	902	598
Interest	576	1,174
Amortization of discount on repayable contributions	173	811
Other	7	206
Total Revenues	**$ 4,772**	**2,789**

6. Accounts Receivable – External Parties

	2007	2006
	(in thousands of dollars)	
Accrued Interest	$ 468	1,064
Receivable from the Province of British Columbia	1,851	2,207
Non-Repayable Contributions	1,114	1,077
Other Receivables	3,591	1,108
Employee Advances	5	10
Gross External Parties Account Receivable	7,029	5,466
Allowance for Doubtful Accounts	(4,748)	(2,126)
Total External Parties Receivable	**$ 2,281**	**3,340**

7. Accounts Receivable – Repayable Contributions

	2007	2006
	(in thousands of dollars)	
Unconditionally Repayable Contributions	$ 31,477	38,213
Unamortized Discount on Unconditionally Repayable Contributions	(985)	(1,158)
Allowance for Doubtful - Repayable Contributions	(21,092)	(26,670)
Net Unconditionally Repayable Contributions Loans	9,400	10,385
Accrued Interest -Unconditionally Repayable Contributions Loans	7,024	7,343
Allowance for Doubtful Accounts - Accrued Interest Receivable	(6,669)	(6,560)
Total Repayable Contributions	**$ 9,755**	**11,168**

8. Prepayments

	2007	2006
	(in thousands of dollars)	
Loss Support Contributions	$ 12,590	11,178
Allowance for Losses on Loss Support Contributions	(2,636)	(2,428)
Net Loss Support Contributions	9,954	8,750
Non-Repayable and Conditionally Repayable Contributions	1,005	2,495
Total Prepayments	**$ 10,959**	**11,245**

9. Tangible Capital Assets

(in thousands of dollars)

		Machinery & Equipment	Vehicles	Leasehold Improvements	Total
Cost					
Opening balance	$	1,246	121	411	1,778
Acquisitions		391	31	17	439
Work in Progress		411	-	-	411
Disposals		(34)	(33)	-	(67)
Adjustments		190	-	-	190
Closing balance		2,204	119	428	2,751
Accumulated amortization					
Opening balance		(942)	(86)	(275)	(1,303)
Amortization		(65)	(16)	(61)	(142)
Disposals		34	20	-	54
Adjustments		(190)	-	-	(190)
Closing balance		(1,163)	(82)	(336)	(1,581)
2007 Net book value	$	1,041	37	92	1,170
2006 Net book value	$	304	35	136	475

Amortization expense for the year ending March 31, 2007 is $141,656.
Amortization expense for fiscal year 2005 - 2006 was $148,022.

10. Accounts Payable and Accrued Liabilities - External Parties

	2007	2006
	(in thousands of dollars)	
Transfer Payments	98,083	66,196
Operating	514	1,058
Accrued Salaries and Wages	737	767
Total Accounts Payable and Accrued Liabilities-External Parties	$ 99,334	68,021

11. Pension and Severance Benefits

(a) Pension benefits: WD's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and WD contribute to the cost of the Plan. The 2006-07 expense amounts to $3,624,004, ($4,029,282 in 2005-06), which represents approximately 2.2 times (2.6 in 2005-06) the contributions by employees.

WD's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

(b) Severance benefits: WD provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007	2006
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	$ 5,874	4,982
Expense for the year	1,405	1,413
Benefits paid during the year to Mar 31	(685)	(521)
Accrued Benefit Obligations, end of year	**$ 6,594**	**5,874**

12. Commitments

The nature of the WD's activities can result in some large multi-year contracts and obligations, whereby WD will be obligated to make future payments when the conditions under the agreement are met. Significant commitments that can be reasonably estimated are summarized as follows:

	2008	2009	2010	2011 and thereafter
Transfer Payment	(in thousands of dollars)			
Infrastructure Canada	47,889	-	-	-
Alberta & Saskatchewan Centenaries	42,615	-	-	-
Rick Hansen Foundation	2,133	2,133	2,135	-
Core Programming	98,843	66,931	62,390	13,879
Total Estimated Future Commitments	**$ 191,480**	**69,064**	**64,525**	**13,879**

13. Related party transactions

WD is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. WD enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, WD received services, which were obtained without charge from other Government departments as presented in part (a).

(a) Services provided without charge:

During the 2006-07 fiscal year, WD received without charge from other departments, accommodation services, legal fees, workers' compensation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in WD's Statement of Operations as follows:

	2007	2006
	(in thousands of dollars)	
Services provided without charge		
Accommodation	$ 2,319	2,020
Employer's contribution to the health insurance plan and employee benefits plans	2,343	2,400
Legal Services	8	9
Worker's compensation	29	50
Total services provided without charge	**$ 4,699**	**4,479**

The government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the WD's Statement of Operations.

(b) Administration of programs on behalf of other government departments.

Part of WD's mandate is to coordinate federal economic activities in the West. In this regard, WD implements programs on behalf of other federal departments and agencies. The following is a list of programs valued at greater than one million dollars in federal contributions administered by WD over the last two fiscal years. These expenses are reflected in the financial statements of the other government departments and not those of WD.

	2007	2006
	(in thousands of dollars)	
Urban Aboriginal Strategy (UAS) - Indian and Northern Affairs	9,646	10,471
Canada Strategic Infrastructure Fund - Infrastructure Canada	111,401	18,656
Municipal Rural Infrastructure Fund - Infrastructure Canada	16,197	6,632
TOTAL	**$ 137,244**	**35,759**

14. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.